

In the opinion of Wohlforth, Johnson, Brecht, Cartledge, & Brooking, P.C., Bond Counsel, based on an analysis of existing statutes, regulations, rulings, and court decisions, and assuming, among other things, compliance by the Corporation with its covenants relating to certain requirements contained in the Internal Revenue Code of 1986, as amended, interest on the 2006 Bonds is excluded from gross income of registered owners thereof for federal income tax purposes. However, interest on the 2006 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Bonds. Interest on the 2006 Bonds is exempt from taxation by the State of Alaska except for inheritance and estate taxes and taxes on transfers by or in contemplation of death. See "TAX EXEMPTION."

\$85,000,000
ALASKA STUDENT LOAN CORPORATION
Education Loan Revenue Bonds, Senior Series 2006A
 consisting of:

\$30,000,000
Senior Series 2006A-1
(Reset Auction Mode Securities - RAMS™)
Due June 1, 2040
Price: 100%

\$55,000,000
Senior Series 2006A-2
Fixed Rate Bonds

Amounts, Maturities, Interest Rate and Yields

Due June 1	Principal Amount	Interest Rate	Yields	CUSIP* No. 011855	Due June 1	Principal Amount	Interest Rate	Yields	CUSIP No. 011855
2009	\$3,000,000	5.00%	3.94%	BB8	2014	\$6,000,000	5.00%	4.36%	BG7
2010	3,500,000	5.00	4.00	BC6	2015	6,500,000	5.00	4.44	BH5
2011	5,500,000	5.00	4.08	BD4	2016	6,500,000	5.00	4.50	BJ1
2012	5,500,000	5.00	4.16	BE2	2017	6,500,000	5.00	4.55 ^(c)	BK3
2013	5,500,000	5.00	4.26	BF9	2018	6,500,000	5.00	4.60 ^(c)	BL6

(c) Priced to the call date of June 1, 2016.

Dated: Date of Delivery

The Education Loan Revenue Bonds, Senior Series 2006A, consisting of \$30,000,000 Education Loan Revenue Bonds, Senior Series 2006A-1 (the "2006A-1 Bonds") and \$55,000,000 Education Loan Revenue Bonds, Senior Series 2006A-2 (the "2006A-2 Bonds," and together with the 2006A-1 Bonds, the "2006 Bonds") are being issued by the Alaska Student Loan Corporation (the "Corporation") in fully registered form only, without coupons. The 2006 Bonds are issuable only as fully registered bonds and when issued, shall be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as securities depository for the 2006 Bonds. Individual purchases of interests in the 2006 Bonds will be made in book-entry only form. Purchasers of beneficial ownership interests will not receive certificates representing their beneficial ownership interests in the 2006 Bonds. The 2006A-1 Bonds are being issued as Reset Auction Mode Securities - RAMS™ ("RAMS"). The 2006A-2 Bonds are being issued as fixed rate bonds (the "Fixed Rate Bonds"). The 2006A-1 Bonds are being issued in denominations of \$100,000 and any integral multiple thereof within a maturity, and the 2006A-2 Bonds are being issued in denominations of \$5,000 and any integral multiple thereof within a maturity.

The 2006 Bond proceeds, together with other available funds of the Corporation, will be used to (i) finance Education Loans for eligible borrowers to fund a portion of their postsecondary education costs whether in or out of State, (ii) make a Capital Reserve Fund deposit, and (iii) pay 2006 Bond issuance costs.

The 2006 Bonds are being issued pursuant to the Master Indenture, as heretofore and hereafter amended and supplemented, dated as of June 1, 2002 (the "Master Indenture") between the Alaska Student Loan Corporation (the "Corporation") and U.S. Bank National Association, Seattle, Washington, as successor trustee (the "Trustee") and a Fifth Supplemental Indenture dated as of May 1, 2006 by and between the Corporation and the Trustee (the "Fifth Supplemental Indenture," and together with the Master Indenture, the "Indenture"). The 2006 Bonds will be the fifth series of Bonds issued under the Master Indenture. Previous series of Bonds have been issued under the Master Indenture and Supplemental Indentures and, as of the date of this Official Statement, are currently outstanding in the principal amount of \$256,465,000. See "INTRODUCTION" herein.

During the Initial Period for the RAMS, being the period from the date of delivery through June 21, 2006, the RAMS will bear interest at the initial interest rate set forth in the Indenture. The interest rate on the RAMS for each Interest Period after the Initial Interest Period and prior to conversion to fixed or variable rates will be the Auction Rate, and such interest will be payable on June 1 and December 1 of each year, commencing December 1, 2006. The Auction Rate is to be determined by the Auction Agent pursuant to the Auction Procedures described herein, subject to certain limitations as further described herein.

The Fixed Rate Bonds will bear interest from their date of delivery, until payment of principal has been made or provided for, at the rates set forth above, payable on June 1 and December 1 of each year, commencing December 1, 2006, until maturity or earlier redemption.

The RAMS are subject to redemption by the Corporation and to redemption, mandatory tender and acceleration prior to maturity as described herein. The Fixed Rate Bonds maturing prior to June 1, 2017 are not subject to redemption prior to their maturities. The Fixed Rate Bonds maturing on or after June 1, 2017 are subject to optional redemption by the Corporation prior to maturity at par as further described herein. See "THE 2006 BONDS - Redemption and Acceleration Provisions."

Investment in the 2006 Bonds involves risk to the Bondholder. Each prospective investor should read this entire Official Statement, including the Appendices hereto, and should give particular attention to the section entitled "CERTAIN INVESTMENT CONSIDERATIONS."

THE 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. IN ADDITION, THE 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CORPORATION, THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE 2006 BONDS DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OR A POLITICAL SUBDIVISION OF THE STATE TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE 2006 BONDS. THE CORPORATION HAS NO TAXING POWER.

The 2006 Bonds are offered when, as, and if issued and received by the Underwriter, subject to prior sale, withdrawal or modification of the offer without notice, and subject to the approving legal opinion of Wohlforth, Johnson, Brecht, Cartledge, & Brooking, P.C., Anchorage, Alaska, Bond Counsel. Certain legal matters will be passed upon for the Corporation by the Attorney General of the State of Alaska and for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah. It is expected that the 2006 Bonds in definitive form will be available for delivery through the facilities of DTC by Fast Automated Securities Transfer on or about May 25, 2006.

RBC Capital Markets

May 16, 2006

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No dealer, broker, salesman, or other person has been authorized by the Corporation or the Underwriter to give any information or to make any representations, other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by either the Corporation or the Underwriter. This Official Statement does not constitute an offer to sell or a solicitation of an offer to buy, nor is there authorized to be any sale of the 2006 Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation, or sale. This Official Statement is not to be construed as a contract with purchasers or registered owners of the 2006 Bonds.

The information set forth in this Official Statement has been provided by the Corporation and other official sources, all of which are believed to be reliable. The information and expressions of opinion in this Official Statement are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder will, under any circumstances, create any implication that there has been no change in the affairs of the Corporation or that the other information or opinions are correct as of any time subsequent to the date of this Official Statement. Such information and expressions of opinion are made for the purpose of providing information to prospective investors and are not to be used for any other purpose or relied on by any other party.

The Underwriter has provided the following sentence for inclusion in this Official Statement. The Underwriter has reviewed the information in this Official Statement in accordance with, and as part of, its responsibility to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

IN CONNECTION WITH THIS OFFERING OF THE 2006 BONDS, THE UNDERWRITER MAY OVER ALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE 2006 BONDS OFFERED HEREBY AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AND, IF DISCONTINUED, THEN RECOMMENCED AT ANY TIME.

UPON ISSUANCE, THE 2006 BONDS WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, AND WILL NOT BE LISTED ON ANY STOCK OR OTHER SECURITIES EXCHANGE. NEITHER THE SECURITIES AND EXCHANGE COMMISSION NOR ANY OTHER FEDERAL, STATE, OR OTHER GOVERNMENTAL ENTITY OR AGENCY HAS PASSED UPON THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS OFFICIAL STATEMENT OR APPROVED THE 2006 BONDS FOR SALE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE. THE INDENTURE WILL NOT BE QUALIFIED UNDER THE TRUST INDENTURE ACT OF 1939, AS AMENDED.

This Official Statement is submitted by the Corporation in connection with the sale of the 2006 Bonds referred to herein and may not be reproduced or used, in whole or in part, for any other purpose.

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OFFICIAL STATEMENT

Relating to

**\$85,000,000 ALASKA STUDENT LOAN CORPORATION
Education Loan Revenue Bonds, Senior Series 2006A
consisting of:**

**\$30,000,000
Senior Series 2006A-1
(Reset Auction Mode Securities - RAMS™)
Due June 1, 2040
Price: 100%**

and

**\$55,000,000
Senior Series 2006A-2
Fixed Rate Bonds**

INTRODUCTION

This Official Statement is being distributed by the Alaska Student Loan Corporation (the "Corporation") to furnish information regarding \$30,000,000 aggregate principal amount of Education Loan Revenue Bonds, Senior Series 2006A-1 (the "2006A-1 Bonds") and \$55,000,000 aggregate principal amount of Education Loan Revenue Bonds, Senior Series 2006A-2 (the "2006A-2 Bonds," and, together with the 2006A-1 Bonds, the "2006 Bonds"). The 2006A-1 Bonds will be initially issued as Reset Auction Mode Securities ("RAMS")* and the 2006A-2 Bonds will be issued as fixed rate bonds ("Fixed Rate Bonds").

The 2006 Bonds will be issued and secured under the Indenture, dated as of June 1, 2002, as heretofore and hereafter amended and supplemented from time to time (the "Master Indenture") by and between the Corporation and U.S. Bank National Association, Seattle Washington, as successor trustee (the "Trustee"), and a Fifth Supplemental Indenture, dated as of May 1, 2006, by and between the Corporation and the Trustee (the "Fifth Supplemental Indenture" and, together with the Master Indenture, the "Indenture"). The Trustee is also the initial Paying Agent and Registrar for the 2006 Bonds. The 2006 Bonds, together with all bonds issued under the Master Indenture, are referred to herein as the "Bonds." The 2006 Bonds are the fifth series of Bonds issued under the Master Indenture.

*™ RAMS is a registered trademark.

The Corporation has Outstanding the following Bonds issued under the Master Indenture:

<u>Class of Bonds</u>	<u>Initial Principal Amount</u>	<u>Currently Outstanding Principal Amount</u>	<u>Title</u>	<u>Date of Issue</u>
Class I	\$58,250,000	\$58,250,000	Senior 2005 Series A	July 28, 2005
Class I	\$45,500,000	\$45,500,000	Senior Series 2004A-1	May 19, 2004
Class I	\$47,600,000	\$47,600,000	Senior Series 2004A-2	May 19, 2004
Class I	\$22,015,000	\$22,015,000	Senior Series 2004A-3	May 19, 2004
Class I	\$16,500,000	\$16,500,000	Senior Series 2003 A-1	June 5, 2003
Class I	\$30,500,000	\$30,500,000	Senior Series 2003A-2	June 5, 2003
Class I	\$47,500,000	\$21,100,000	Senior Series 2002A	June 4, 2002
Class III	\$15,000,000	\$15,000,000	Subordinate Series 2002B	June 4, 2002

(collectively, the "Prior Bonds").

All capitalized terms used in this Official Statement and not otherwise defined herein shall have the meanings assigned to such terms in the Indenture. Certain defined terms are contained in APPENDIX II -- "THE MASTER INDENTURE." The summaries of and extracts from the Indenture and other documents included in this Official Statement do not purport to be comprehensive or definitive and are qualified in their entirety by reference to each such document.

In 1987, the Corporation was created under laws of the State of Alaska (the "State"). The statute creating the Corporation is codified at Alaska Statutes 14.42.100 through 14.42.990, as amended (the "Act"). The Act authorizes the Corporation, among other things, to acquire, purchase and make commitments to purchase loans made to students or certain family members of students and to loan money to students or certain family members of students for the purpose of assisting students in obtaining a postsecondary education, and to issue revenue bonds and notes to obtain funds to purchase or make such loans.

In order to finance its acquisition of education loans, the Corporation is authorized to borrow money and to issue bonds payable from sources authorized by the Act, including the revenues derived from such loans. Loans for the financing of postsecondary education that are eligible for purchase by the Corporation include both Alternative Loans and FFELP Loans and are hereinafter referred to as "Education Loans." The Corporation's program for the financing of loans for postsecondary education, including the acquisition of Education Loans, is herein referred to as the "Loan Program."

All Education Loans acquired with proceeds of the Bonds will secure the Bonds. As owner of the FFELP Loans, the Corporation is also entitled to receive benefits with respect to any loss resulting from default, death, disability or bankruptcy of a FFELP Loan borrower. Such benefits, loan payments and other amounts constitute revenues pledged under the Indenture and are discussed herein under the heading "THE ALASKADVANTAGE® LOAN PROGRAM."

The Alaska Commission on Postsecondary Education (the "Commission") is an "eligible lender" under Title IV of the Higher Education Act of 1965, as amended (the "Higher Education Act"). Pursuant to a Custodian Depository/Servicing Agreement, the Commission has agreed to apply all benefits received under the Higher Education Act, with respect to the FFELP Loans financed under the Indenture, for the benefit of the Corporation and the Trustee.

Class and Bond Characteristics

The Master Indenture provides that Bonds issued thereunder, including the 2006 Bonds, be designated a priority Class, with Class I being the highest priority and the lower priorities designated by increasing roman numerals. The 2006 Bonds are designated Class I Bonds. The Corporation reserves the right to issue additional Bonds under the Master Indenture with Class designations the same as or different from the designations given to the 2006 Bonds as well as additional Class I Bonds. The 2006 Bonds are the fifth series of Bonds issued under the Master Indenture.

At any time a current principal or interest payment is required to be made, it is to be made first with respect to Bonds of the highest priority Class, and then in descending order of priority. In addition, the ability to control or pursue remedies is given "By Class in Descending Priority" as described in APPENDIX II to this Official Statement.

EXERCISE OF REMEDIES BY A HIGHER PRIORITY CLASS UPON A DEFAULT, INCLUDING PARTICULARLY ACCELERATION OF A HIGHER PRIORITY CLASS OF BONDS, OR EXERCISE OF REMEDIES BY A CREDIT ENHANCEMENT AGENCY FOLLOWING A DEFAULT UNDER A RELATED AGREEMENT (SEE "SECURITY FOR THE BONDS - CERTAIN PAYMENT PRIORITIES") COULD ADVERSELY AFFECT THE ABILITY OF LOWER PRIORITY CLASSES OF BONDS TO RECEIVE PAYMENT OF DEBT SERVICE WHEN DUE. A PAYMENT DEFAULT WITH RESPECT TO A CLASS OF BONDS OTHER THAN THE HIGHEST PRIORITY CLASS THEN OUTSTANDING IS NOT AN EVENT OF DEFAULT UNDER THE INDENTURE.

General

The 2006 Bonds will be dated as of their date of delivery and, subject to the redemption provisions set forth below, will mature on the respective dates set forth on the cover page of this Official Statement. The 2006A-1 Bonds will be issued initially as RAMS. The 2006A-1 Bonds will be issued in authorized denominations of \$100,000 or any integral multiple thereof within a maturity while Outstanding as RAMS. See "RESET AUCTION MODE SECURITIES (2006A-1 Bonds)" herein. The 2006A-2 Bonds will be issued as Fixed Rate Bonds in authorized denominations of \$5,000 or any integral multiple thereof within a maturity. See "FIXED RATE BONDS (2006A-2 BONDS)" herein. The 2006 Bonds will be issued in fully registered form, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"), New York, New York. DTC will act as Securities Depository for the 2006 Bonds. Individual purchases of the 2006 Bonds will be made in Book-Entry Form only in the principal amount of authorized denominations. Purchasers of the 2006 Bonds will not receive certificates representing their interests in the 2006 Bonds purchased. See "Appendix VII - THE DEPOSITORY TRUST COMPANY."

The Bonds are special, limited obligations of the Corporation, secured by and payable solely from payments, proceeds, charges and other income derived by or for the account of the Corporation constituting Pledged Receipts as described in APPENDIX II - "THE MASTER INDENTURE." Such income includes, without limitation, payments of interest on Education Loans and other investments (including federal interest subsidy payments), principal payments on Education Loans (whether regularly scheduled, prepayments or proceeds of insurance payments for defaulted FFELP Loans) and Special Allowance Payments ("SAP") from the Secretary of the United States Department of Education (the "Secretary"), if any. See "SECURITY FOR THE BONDS."

THE 2006 BONDS ARE SPECIAL, LIMITED OBLIGATIONS OF THE CORPORATION AND ARE PAYABLE SOLELY FROM THE REVENUES, ASSETS AND FUNDS PLEDGED THEREFOR UNDER THE INDENTURE. IN ADDITION, THE 2006 BONDS DO NOT CONSTITUTE AN INDEBTEDNESS OR OTHER LIABILITY OF THE STATE OF ALASKA OR OF ANY POLITICAL SUBDIVISION THEREOF, EXCEPT THE CORPORATION, OR A PLEDGE OF THE FAITH AND CREDIT OF THE CORPORATION, THE STATE OF ALASKA OR ANY POLITICAL SUBDIVISION THEREOF. ISSUANCE OF THE 2006 BONDS DOES NOT DIRECTLY, INDIRECTLY, OR CONTINGENTLY OBLIGATE THE STATE OR A POLITICAL SUBDIVISION OF THE STATE TO APPLY MONEY FROM, OR LEVY OR PLEDGE, ANY FORM OF TAXATION TO THE PAYMENT OF THE 2006 BONDS. THE CORPORATION HAS NO TAXING POWER.

The descriptions of the 2006 Bonds and of the documents authorizing and securing the 2006 Bonds contained herein do not purport to be definitive or comprehensive. All references herein to such documents are qualified in their

entirety by reference to such documents. Copies of such documents, in reasonable quantity, may be obtained upon written request during the offering period of the 2006 Bonds from RBC Dain Rauscher Inc., doing business under the trade name RBC Capital Markets, 2398 E. Camelback Road, Suite 700, Phoenix, Arizona 85016, and upon written request thereafter from the Corporation at 3030 Vintage Boulevard, Juneau, Alaska 99801 (physical address) or P.O. Box 110505, Juneau, Alaska 99811-0505 (mailing address), or the Trustee at 1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101.

SECURITY FOR THE BONDS

General

The 2006 Bonds are special, limited obligations of the Corporation secured by and payable solely from the Trust Estate established under the Indenture pursuant to which the 2006 Bonds are issued. The Trust Estate consists of: (i) any Education Loan held in or credited to the Education Loan Fund under the Indenture; (ii) all amounts received under, or pursuant to, or with respect to any Pledged Loan; (iii) all amounts received under or pursuant to the promissory note or other documentation evidencing a Pledged Loan, and (iv) amounts held in the Revenue Fund and the Capital Reserve Fund. No other assets of the Corporation are pledged to the payment of the 2006 Bonds.

Collateralization

Upon the issuance of the 2006 Bonds, it is anticipated that the principal amount of the Education Loans and the value of the other assets pledged under the Indenture will be equal to approximately 127% of the aggregate principal amount of all Class I Bonds (including the 2006 Bonds) and approximately 121.5% of the aggregate principal amount of all Bonds Outstanding under the Master Indenture. The Indenture does not require that any level of collateralization be maintained but does, however, require that certain tests be met prior to the removal of assets from the Indenture.

Withdrawal of Excess Coverage

At any time, but no more frequently than once every month, the Corporation may deliver to the Trustee a Certificate executed by its Authorized Representative, (i) evidencing the fact that there is then Excess Coverage, as defined in APPENDIX II to this Official Statement, on deposit under the Indenture and specifying the amount thereof, and (ii) that no Event of Default exists under the Indenture. Promptly upon the Trustee's receipt of that Certificate, and a Rating Confirmation, the Trustee will release such Excess Coverage to the Corporation for any of its lawful purposes.

Capital Reserve Fund

As part of the Trust Estate, the 2006 Bonds are secured (subject to priority as described in this Official Statement) by the Capital Reserve Fund established under the Master Indenture. At the time of issuance of the 2006 Bonds, the Capital Reserve Fund is expected to have on deposit therein an amount equal to approximately \$6,829,300, including \$1,700,000 from proceeds of the 2006 Bonds. The Supplemental Indenture provides a minimum Capital Reserve Requirement of an amount at least equal to 2% of the principal amount of Bonds Outstanding but in no event less than \$500,000. Amounts on deposit in the Capital Reserve Fund (other than amounts in excess of the Capital Reserve Requirement, which are to be transferred to the Revenue Fund) are to be used to pay the principal of or interest on the Bonds, by Class in descending order of priority, to the extent other moneys held and available under the Indenture are insufficient and to reimburse each Credit Enhancement Agency to the extent provided in the related agreement. Under the Indenture, all or any portion of the Capital Reserve Requirement may be satisfied by the deposit with the Trustee of a surety bond.

The Act provides that if the assets in any capital reserve fund created pursuant to the Act are less than the amount currently required in a Corporation resolution or indenture to be on deposit, the Chairperson of the Corporation shall, annually, by January 15, certify to the Governor and the State Legislature the amount necessary to restore the assets of the fund to the required amount. However, because the Capital Reserve Fund Requirement is less than maximum annual debt service on the Bonds, even if the State Legislature makes all appropriations contemplated by the Act, such appropriations may be insufficient to pay debt service on the Bonds as the same become due and payable.

In the opinion of Bond Counsel, such provision does not give rise to a legal obligation of the State; however, the Governor is legally authorized, but not legally obligated, to request such appropriation, and the Legislature is legally authorized, but not legally obligated, to appropriate the amount requested. The Corporation has covenanted in the Indenture to do and perform or cause to be done and performed each and every act and thing with respect to the Capital Reserve Fund to be done or performed by or on behalf of the Corporation or the Trustee under the terms and provisions of the Indenture and of the Act. The Corporation is not required to contribute assets to maintain the Capital Reserve Fund at its required level.

Certain Payment Priorities

The Indenture provides that Bonds issued thereunder, including the 2006 Bonds, be designated a priority Class, with Class I being the highest priority. The 2006 Bonds are designated Class I Bonds and are on parity with Class I Bonds previously issued under the Indenture. See "INTRODUCTION."

The Corporation reserves the right to issue additional Classes of Bonds in the future and to issue additional Bonds within Class I in the future.

At any time a current principal or interest payment is required to be made, it will be made first with respect to Bonds of the highest priority Class, and then in descending order of priority. In addition, the ability to control or pursue remedies is given to the registered owners of not less than twenty-five percent (25%) in principal amount of the Outstanding Bonds of the highest Class as described in APPENDIX II to this Official Statement.

EXERCISE OF REMEDIES BY A HIGHER PRIORITY CLASS UPON A DEFAULT, INCLUDING PARTICULARLY ACCELERATION OF A HIGHER PRIORITY CLASS OF BONDS, OR EXERCISE OF REMEDIES BY A CREDIT ENHANCEMENT AGENCY FOLLOWING A DEFAULT UNDER A RELATED AGREEMENT (SEE "SECURITY FOR THE BONDS - CERTAIN PAYMENT PRIORITIES") COULD ADVERSELY AFFECT THE ABILITY OF LOWER PRIORITY CLASSES OF BONDS TO RECEIVE PAYMENT OF DEBT SERVICE WHEN DUE. A PAYMENT DEFAULT WITH RESPECT TO A CLASS OF BONDS OTHER THAN THE HIGHEST PRIORITY CLASS THEN OUTSTANDING, IS NOT AN EVENT OF DEFAULT UNDER THE INDENTURE.

Additional Bonds

The Corporation may issue additional Series of Bonds under the Master Indenture from time to time, payable on a parity with or subordinate to any Class I Bonds, and senior to, on a parity with or subordinate to Bonds other than Class I Bonds. The issuance of Additional Bonds is subject to, among other things, receipt of a Rating Confirmation prior to issuance.

THE 2006 BONDS

General

The 2006 Bonds are issued as fully registered bonds. The 2006A-1 Bonds will be initially issued as RAMS in authorized denominations of \$100,000 or integral multiples thereof within a maturity while Outstanding as RAMS. See "RESET AUCTION MODE SECURITIES (2006A-1 Bonds)" herein. The 2006A-2 Bonds (the Fixed Rate Bonds) will be issued in authorized denominations of \$5,000 or integral multiples thereof within a maturity. See "FIXED RATE BONDS (2006A-2 Bonds)" herein. The 2006 Bonds, when issued, shall be registered in the name of Cede & Co. as nominee for The Depository Trust Company, New York, New York ("DTC"), which shall act as securities depository for the 2006 Bonds. Interest on the 2006 Bonds is payable on the dates described herein under the heading "THE 2006 BONDS - Interest Payments." While the 2006 Bonds are held in the Book-Entry System, principal of and interest on the 2006 Bonds will be paid by wire transfer of same day funds or in such other manner as permitted by the Letter of Representations to the account of Cede & Co. on the Payment Date at the address indicated for Cede & Co. in the bond register kept by the Trustee.

Interest Payments

Interest on the RAMS is to be computed as described in "RESET AUCTION MODE SECURITIES (2006A-1 Bonds) - Interest Payments." Interest on the Fixed Rate Bonds is to be computed as described in "FIXED RATE BONDS (2006A-2 Bonds).

Redemption and Acceleration Provisions

Optional Redemption. The 2006A-1 Bonds are subject to redemption at the option of the Corporation from any source of funds in whole or in part on any date at a redemption price equal to the respective principal amounts of the 2006A-1 Bonds being redeemed, plus accrued interest, if any, to the redemption date.

The Fixed Rate Bonds maturing prior to June 1, 2017 are not subject to redemption prior to their scheduled maturities. The Fixed Rate Bonds maturing on or after June 1, 2017 are subject to redemption at the option of the Corporation on or after June 1, 2016 in whole or in part on any date, in increments of \$5,000, with maturities to be selected by the Corporation at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption.

Procedure for and Notice of Redemption. When the Trustee receives notice from the Corporation of its election or direction to redeem Bonds, the Trustee is to give notice, in the name of the Corporation, to the registered owners of such Bonds of the redemption of such Bonds. Such notice is to specify the Series, Class and maturities of the Bonds to be redeemed, the Redemption Date and, if less than all the Bonds of any Series, Class and maturity are to be redeemed, the respective portions of the principal amount thereof to be redeemed. Such notice is to further state that on such date there will become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of a Bond to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon will cease to accrue and be payable. Such notice is to be given by first-class mail, not less than 30 days nor more than 45 days before the Redemption Date. Failure to mail any such notice will not affect the validity of the proceedings for the redemption of Bonds with respect to which no such failure occurred. Such notice is to be given to DTC so long as it is the registered owner of the Bonds.

Payment of Redeemed Bonds. Bonds or portions thereof so called for redemption will become due and payable on the Redemption Date so designated at the Redemption Price, plus interest accrued and unpaid to the Redemption Date. So long as the Bonds are book-entry only, the Trustee is to pay the Redemption Price to DTC, which is to follow its procedures for payment to Beneficial Holders. See "APPENDIX VII - THE DEPOSITORY TRUST COMPANY." If the Corporation or DTC discontinues the book-entry system and certificated bonds are issued to the registered owners, the Bonds must be presented and surrendered at the office of the Trustee on the Redemption Date. If less than the entire principal amount of a Bond is called for redemption, the Corporation is to execute, the Trustee is to authenticate, and the Paying Agent is to deliver, upon the surrender of such Bond, without charge to the registered owner thereof, for the unredeemed balance of the principal amount of the Bond so surrendered at the option of the registered owner thereof, Bonds of like Class, Series and maturity in any Authorized Denominations. If, on the Redemption Date, moneys for the redemption of all the Bonds or portions thereof of any like Series, Class and maturity to be redeemed, together with interest to the Redemption Date, is wired to DTC (while the Bonds are book-entry only) or held by the Paying Agent so as to be available therefor on said date and if notice of redemption has been mailed as aforesaid, then, from and after the Redemption Date, interest on the Bonds or portions thereof of such Class, Series and maturities so called for redemption will cease to accrue and become payable. If said moneys are not available on the Redemption Date, such Bonds or portions thereof will continue to bear interest until paid at the same rate as they would have borne had they not been called for redemption.

Acceleration. If an Event of Default (as defined in the Indenture) shall occur, the principal of all the 2006 Bonds may be, and under certain circumstances shall be, declared due and payable in the manner and with the effect provided in the Indenture.

**RESET AUCTION MODE SECURITIES
(2006A-1 Bonds)**

General

The description of the 2006A-1 Bonds contained in this Official Statement generally includes details with respect to the 2006A-1 Bonds while they are Outstanding as RAMS. This Official Statement does not attempt to describe details which would be applicable to the 2006A-1 Bonds if they were converted to a Fixed Rate or Adjustable Rate. In such events, the 2006A-1 Bonds Outstanding as RAMS, which would be so converted, would be subject to mandatory tender prior to conversion. See "RATE CONVERSION - Mandatory Tender Upon Conversion."

The 2006A-1 Bonds will be issued initially as RAMS, shall be dated the date of initial delivery thereof and shall mature on the dates as set forth on the cover of this Official Statement. Certain capitalized terms used herein with respect to the 2006A-1 Bonds Outstanding as RAMS are defined in Appendix IV to this Official Statement.

Interest

Interest Payments. Interest on the RAMS shall accrue for each Interest Period at the Auction Bond Interest Rate for such Interest Period and shall be payable in arrears, on each succeeding Interest Payment Date. An "Interest Period" means (a) so long as interest is payable on June 1 and December 1 with respect to the 2006A-1 Bonds Outstanding as RAMS, and unless otherwise changed as described under the caption "-Changes in Interest Periods or Auction Date - Changes in Interest Period or Periods" below, the period commencing on the date of the delivery of the RAMS and ending on and including June 21, 2006, and each successive 35-day period thereafter, commencing on a Thursday, and (b) if, and for so long as, Interest Payment Dates are specified to occur at the end of each Auction Period, as described below under "-Changes in Interest Periods or Auction Date - Changes in Interest Period or Periods," each period commencing on an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date. Unless otherwise changed as described in "Changes in Auction Periods or Auction Date -- *Changes in Auction Period or Periods*" in Appendix IV to this Official Statement, an "Interest Payment Date" for the 2006A-1 Bonds, while the 2006A-1 Bonds are Outstanding as RAMS, means June 1 and December 1 and at maturity or earlier redemption, commencing December 1, 2006, or if any such date is not a Business Day, the next succeeding Business Day (but only for interest accrued through the preceding May 31 or November 30, as the case may be).

While the RAMS are Outstanding in book-entry form, the amount of interest distributable to Holders of RAMS in respect of each \$100,000 in principal amount thereof for the 2006A-1 Bonds, for any Interest Period or part thereof shall be calculated by applying the Auction Bond Interest Rate for each Interest Period or part thereof to the principal amount of \$100,000, respectively, multiplying such product by the actual number of days in each such Interest Period or part thereof, divided by 360, and, if necessary, truncating the resultant figure to the nearest cent. Interest on the RAMS shall be computed on the basis of a 360-day year for the number of days actually elapsed. In the event an Interest Payment Date occurs in an Interest Period on a day other than the first day of such Interest Period, the Auction Agent, after confirming the calculation required above, shall calculate the portion of the interest amount payable for such Interest Period on such Interest Payment Date and the portion payable on the next succeeding Interest Payment Date. The Auction Agent shall make the calculation described above not later than the close of business on each Auction Date.

Interest payments on the RAMS are to be made by the Trustee to the registered owners of the RAMS, as of the Record Date preceding each Interest Payment Date. The RAMS are to be initially registered in the name of Cede & Co., as nominee of DTC. See "Appendix VII - THE DEPOSITORY TRUST COMPANY" for a description of how DTC and other Depositories, as registered owners, are expected to disburse such payments to the beneficial owners.

Auction Bond Interest Rate. The rate of interest on the RAMS for each Interest Period subsequent to the Initial Interest Period, to but not including the Conversion Date, shall be equal to the annual rate of interest (the "Auction Rate") that results from implementation of the Auction Procedures described in Appendix IV hereto, provided that if, on any Auction Date, an Auction is not held for any reason (other than as described below under "Disruption in Auction Procedures"), then the rate of interest for the next succeeding Interest Period shall equal the applicable Maximum Auction Rate on such Auction Date. Notwithstanding the foregoing: (a) if the ownership of the RAMS is no longer maintained in book-entry form, the rate of interest on the RAMS for any Interest Period commencing after the delivery of certificates representing RAMS as described above shall equal the applicable Maximum Auction Rate on the Business

Day immediately preceding the first day of such Interest Period; (b) if a Payment Default occurs, Auctions will be suspended and the Auction Bond Interest Rate (as defined below) for the Interest Period commencing on or after such Payment Default and for each Interest Period thereafter to and including the Interest Period, if any, during which, or commencing less than two Business Days after, such Payment Default is cured will equal the Overdue Rate; or (c) if a proposed conversion to a Fixed Rate or Adjustable Rate shall have failed, as described under the caption "Rate Conversion - Inadequate Funds for Tenders; Failed Conversion" below, and the next succeeding Auction Date shall be two or fewer Business Days after, or on, any such failed Conversion Date, then an Auction shall not be held on such Auction Date and the rate of interest on the RAMS subject to the failed conversion for the next succeeding Interest Period shall be equal to the applicable Maximum Auction Rate calculated as of the first Business Day of such Interest Period.

The rate per annum at which interest is payable on the RAMS for any Interest Period is herein referred to as the "Auction Bond Interest Rate." Notwithstanding anything herein to the contrary, the Auction Bond Interest Rate cannot exceed the Maximum Auction Rate.

Notwithstanding anything herein to the contrary, if any RAMS or portion thereof have been selected for redemption during the next succeeding Interest Period, such RAMS or portion thereof will not be included in the Auction preceding such Redemption Date, and will continue to bear interest until the Redemption Date at the rate established for the Interest Period prior to said Auction.

Disruption in Auction Procedures. If, as of the commencement of an Interest Period, an Auction is scheduled to occur for such Interest Period on a Business Day (a "Scheduled Auction Date"), but such Auction does not occur because it was not foreseeable that the Scheduled Auction Date would not be a Business Day, or if the Scheduled Auction Date was a Business Day but, as a result of an event generally affecting the securities markets in the United States, auctions for securities such as the RAMS were generally not conducted during such Business Day and in fact an Auction for the RAMS was not conducted on such Business Day, the following will apply:

(a) An Auction shall be deemed to have occurred on the Scheduled Auction Date as if such day were a Business Day;

(b) The Auction Rate for such deemed Auction to be in effect for the succeeding Interest Period (i) shall be equal to the Auction Rate for the preceding Interest Period if such preceding Interest Period was 35 days or less; and (ii) otherwise shall be the rate of interest determined by the Market Agent on equivalently rated auction securities with a comparable length of Interest Period; and

(c) The succeeding Interest Period shall begin on the calendar day following the Scheduled Auction Date.

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include (i) "Existing Holders," which shall mean (A) for the purpose of dealing with the Auction Agent in connection with an Auction, any Person who is a Broker-Dealer listed in the Existing Holder registry at the close of business on the Business Day preceding each Auction and (B) for the purpose of dealing with a Broker-Dealer in connection with an Auction, a Person who is a beneficial owner of RAMS; and (ii) "Potential Holders," which shall mean any person (including any Existing Holder that is (a) a Broker-Dealer when dealing with the Auction Agent and (b) a potential beneficial owner when dealing with a Broker-Dealer) who may be interested in acquiring RAMS (or in the case of an Existing Holder, an additional principal amount of RAMS).

By purchasing RAMS, whether in an Auction or otherwise, each prospective purchaser of RAMS or its Broker-Dealer must agree and will be deemed to have agreed: (i) to participate in Auctions on the terms set forth in Appendix IV hereto, (ii) as long as the beneficial ownership of the RAMS is maintained in book-entry form by a Depository, to sell, transfer or otherwise dispose of RAMS only pursuant to a Bid or a Sell Order (each as defined in Appendix IV) in an Auction, or to or through a Broker-Dealer, provided that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of RAMS so transferred, its agent member or its Broker-Dealer advises the Auction Agent of such transfer, and (iii) to have its beneficial ownership of RAMS maintained at all times in book-entry form by the designated Depository for the account of its Participant, which in turn will maintain records of such

beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Auction Agent. The Wilmington Trust Company is appointed as the initial Auction Agent for the RAMS. The Trustee is directed to enter into the initial Auction Agency Agreement with The Wilmington Trust Company. Any substitute Auction Agent shall be (i) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, the City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (ii) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Indenture and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days written notice to the Corporation, the Trustee and the Market Agent (25 days written notice if the Auction Agent has not been paid its fee after notice of such fact to the Corporation and the Trustee). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of either (i) the Corporation or (ii) the holders of 66-2/3% of the aggregate principal amount of the RAMS by an instrument signed by the Trustee and filed with the Auction Agent, the Corporation and the Market Agent upon at least 30 days notice; provided that, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Corporation acting in lieu of the Trustee.

If the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Corporation shall use its best efforts to appoint a successor as Auction Agent, and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

The Auction Agent is acting as agent for the Trustee and the Corporation in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

Broker-Dealer. Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a "Broker-Dealer." A Broker-Dealer must be either a broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which (i) is a "Participant" (*i.e.*, a member of, or participant in, the Depository) or an affiliate of a Participant, (ii) has a capital surplus of at least \$15,000,000, (iii) has been selected by the Corporation with the approval of the Market Agent, and (iv) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

A Broker-Dealer may submit orders in auctions for its own account. Any Broker-Dealer submitting an order for its own account in any auction will have an advantage over other bidders in that it would have knowledge of other orders placed through it in that auction (but it would not have knowledge of orders placed through other Broker-Dealers, if any). As a result of the Broker-Dealer bidding, the auction clearing rate may be higher or lower than the rate that would have cleared if the Broker-Dealer had not bid. A Broker-Dealer may also bid in order to prevent what would otherwise be (i) a failed auction; or (ii) an auction clearing at a rate that the Broker-Dealer deems in its discretion, to be too high given prevailing market conditions. A Broker-Dealer may also encourage additional or revised investor bidding in order to prevent an "all-hold" auction or an auction clearing at a rate which the Broker-Dealer deems, in its discretion, to be too low given prevailing market conditions.

The initial Broker-Dealer for the 2006A-1 Bonds is RBC Capital Markets.

Market Agent. The "Market Agent" for the 2006A-1 Bonds will initially be RBC Capital Markets. The Market Agent will be acting pursuant to the terms of a Market Agent Agreement with the Trustee, and is responsible under the terms of the Market Agent Agreement for determination of the Kenny Index, the Quarterly Average T-Bill Rate and the Quarterly Average CP Rate and for the determination of any changes to be made in the Applicable Percentage used in

determining the Maximum Auction Rate, the All-Hold Rate and the Overdue Rate. See " - Adjustment in Percentages for RAMS" below. Under the Market Agent Agreement, and in connection with the RAMS, the Market Agent shall, by reason of its execution and delivery of the Market Agent Agreement and the performance of its obligations thereunder, act solely as agent of the Trustee and shall not thereby assume any obligation or establish any relationship of agency or trust for or with any of the beneficial owners.

Auctions

Auctions to establish the Auction Bond Interest Rate are to be held on each Auction Date, except as described above under "-Interest-Auction Bond Interest Rate," by application of the Auction Procedures described in Appendix IV. "Auction Date" shall mean initially June 21, 2006 (or if such date is not a Business Day, then the immediately preceding Business Day), with respect to the 2006A-1 Bonds, and thereafter, the Business Day immediately preceding the first day of each Interest Period, other than: (i) each Interest Period commencing after the ownership of the RAMS is no longer maintained in book-entry form; (ii) each Interest Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Interest Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Auction Date for one or more Interest Periods may be changed as described below under "Changes in Interest Periods or Auction Date - Changes in Interest Period or Periods." See "Interest -Auction Bond Interest Rate" above.

The Auction Agent shall determine the Maximum Auction Rate and the All-Hold Rate for the RAMS on each Auction Date. Upon receipt of notice from the Trustee of a failed Conversion Date as described below under "Rate Conversion - Inadequate Funds for Tenders; Failed Conversion," and if the next succeeding Auction Date shall be less than the Applicable Number of Business Days after (or on) the failed Conversion Date, the Auction Agent shall not hold an Auction on such Auction Date but shall calculate the Maximum Auction Rate as of the first Business Day of the next succeeding Interest Period and give notice thereof as provided and to the parties specified in the Auction Agency Agreement. If the ownership of the RAMS is no longer maintained in book-entry form, the Market Agent shall calculate the Maximum Auction Rate on the Business Day immediately preceding the first day of each Interest Period commencing after delivery of certificates representing the RAMS. If a Payment Default shall have occurred, the Market Agent shall calculate the Overdue Rate on the first day of (a) each Interest Period commencing after the occurrence and during the continuance of such Payment Default and (b) any Interest Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default. The determination by the Market Agent or the Auction Agent, as the case may be, of the Maximum Auction Rate shall (in the absence of manifest error) be final and binding upon the owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee of the Maximum Auction Rate.

As long as the ownership of the RAMS is maintained in book-entry form, an Existing Holder may sell, transfer or otherwise dispose of RAMS only pursuant to a Bid or Sell Order (as defined in Appendix IV) placed in an Auction or through a Broker-Dealer, provided that, in the case of all transfers other than pursuant to Auctions or mandatory tenders, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Prior to a Conversion Date, Auctions shall be conducted on each Auction Date, in the manner described in Appendix IV. A description of the Settlement Procedures to be used with respect to Auctions for the RAMS is contained in Appendix V.

Adjustment in Percentages for RAMS

The Market Agent shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Auction Rate and the Applicable Percentage of the Kenny Index used in determining the Overdue Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that RAMS paying the Maximum Auction Rate, RAMS paying the All-Hold Rate and RAMS paying the Overdue Rate shall have equal market values before and after such Change of Preference Law. Prior to any such adjustment, the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such adjustment. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the RAMS; (iv) general

economic conditions; and (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the RAMS.

The Market Agent shall effectuate an adjustment in the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Auction Rate and the Applicable Percentage of the Kenny Index used to determine the Overdue Rate by delivering written notice to the Corporation, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change.

Changes in Interest Periods or Auction Date

Changes in Interest Period or Periods. While any of the 2006A-1 Bonds are Outstanding as RAMS, the Corporation may change, upon meeting certain conditions, the length of one or more Interest Periods. In connection with any such change or otherwise, but for the same stated purpose, the Market Agent may change Interest Payment Dates; any such change shall be considered a "change in the length of one or more Interest Periods" for purposes of the Indenture. Any change in the length of the Interest Period requires the consent of the Corporation and must be made for the purpose of conforming to current market practice with respect to similar securities. Any such changed Interest Period shall not be less than 7 days nor more than 366 days.

The change in the length of one or more of the Interest Periods shall not be allowed unless Sufficient Clearing Bids (as defined in Appendix IV hereto) existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change. Such change shall take effect only if certain requirements are met as described in the Indenture.

Changes in the Auction Date. While any of the 2006A-1 Bonds are Outstanding as RAMS, in order to conform with then-current market practice with respect to similar securities or to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the RAMS, and, with the written consent of an Authorized Officer of the Corporation, the Market Agent may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "Auction Date" with respect to one or more specified future Interest Periods.

If a change in an Auction Date is undertaken in conjunction with a change in an Interest Period and the conditions for the establishment of such change in Interest Period are not met, the Auction Date may be, and the next succeeding Interest Period may be adjusted to end on, an earlier Business Day (but not more than five Business Days earlier) than the date on which such Auction Date was scheduled to occur and such Interest Period was scheduled to end to accommodate the change in the Auction Date.

The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Interest Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Corporation, and the Rating Agencies.

In connection with any change in the Auction terms described above, the Auction Agent shall provide such further notice to such parties as is specified in the applicable Auction Agency Agreement.

Amendment to Auction Provisions

Pursuant to the Indenture and in accordance with the provisions set forth in Appendix IV hereto, the Corporation may amend the auction provisions relating to the 2006A-1 Bonds Outstanding as RAMS, including effectuating amendments without the consent of the Holders of the affected RAMS; provided that notice of such amendment is given and two auctions with respect to the affected 2006A-1 Bonds are held after the time such notice was given in which all Sell Orders (as defined in the Indenture) have been accepted.

Lack of Liquidity Facility for Auction Rate Bonds

The 2006A-1 Bonds, while Outstanding as RAMS, will not be supported by a liquidity facility. If an Existing Holder were to submit a Sell Order or a Hold Order subject to an interest rate that is determined to be greater than the

Maximum Auction Rate for such Auction Date, and Sufficient Clearing Bids are not obtained on such Auction Date, such Existing Holder will not have its 2006A-1 Bonds purchased through the Auction Procedures on such Auction Date. In such event, no assurance can be given that a Broker-Dealer will be able to locate a purchaser prior to the next Auction Date or that Sufficient Clearing Bids will be obtained on any succeeding Auction Date.

RATE CONVERSION

General

The Corporation may, upon 30 days written notice, on the first day of any Interest Period, convert all or a portion of its 2006A-1 Bonds Outstanding as RAMS to bear interest at an Adjustable Rate other than the Auction Rate or at a Fixed Rate (a "Conversion"). Upon the effective date of a Conversion, 2006A-1 Bonds to be converted ("Converted Bonds") will no longer be Outstanding as RAMS and will be subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the date of purchase (the "Conversion Date"). The terms of the 2006A-1 Bonds following such Conversion Date shall be set forth in the official statement, remarketing memorandum or similar document used by the Corporation at the time of such conversion and remarketing of the 2006A-1 Bonds.

In accordance with the provisions of the Indenture, the Corporation must deliver to the Trustee a Supplemental Indenture to provide for such prospective terms for the Converted Bonds, or the manner of determining the same, as the Corporation may deem advisable, provided that, among other things, (1) the then Existing Holders of Converted Bonds shall be given written notice that the effective date of any such provisions shall be the mandatory tender date; and (2) any failure to tender is nevertheless deemed to be a tender for mandatory purchase and the Converted Bonds which are not tendered shall be deemed "Undelivered Bonds."

Mandatory Tender Upon Conversion

Any 2006A-1 Bonds to be converted to bear interest at a Fixed Rate or Adjustable Rate shall be subject to mandatory tender for purchase on the Conversion Date, at a price equal to the principal amount thereof plus accrued interest thereon, if any, to the date of purchase. The Trustee is required to give notice of such mandatory tender to the Holders of such Converted Bonds subject to purchase at their addresses shown on the books of registry. Such notice shall be sent by first class mail to the Holders.

Converted Bonds to be purchased on any Conversion Date shall be required to be delivered to the designated office of the Trustee, or its designated agent for such purposes, at or before 12:00 noon (local time) on such date. If the owner of any Converted Bond which is subject to purchase as described herein fails to deliver such Converted Bond to the Trustee, or its designated agent for such purposes, for purchase on the purchase date, and if the Trustee, or its designated agent for such purposes, is in receipt of the purchase price therefor, such Converted Bond shall nevertheless be deemed tendered and purchased on the Conversion Date and shall be an Undelivered Bond as described below under the caption "- Undelivered Bonds," and registration of the ownership of such Converted Bond shall be transferred to the purchaser thereof as described under the caption "- Undelivered Bonds."

Undelivered Bonds

Any Converted Bonds which are required to be tendered on a Conversion Date and which are not delivered on the Conversion Date, and for the payment of which there has been irrevocably deposited in trust in a segregated subaccount for the benefit of such owner an amount of money sufficient to pay the purchase price and any accrued interest owing on the purchase date with respect to such Converted Bonds, shall be deemed to have been purchased, and shall be Undelivered Bonds. In the event of a failure by an owner of Converted Bonds to tender such Converted Bonds on or prior to the required date, such owner of such Undelivered Bonds shall not be entitled to any payment other than the purchase price and any unpaid interest due on the purchase date, and Undelivered Bonds in the hands of such non-delivering Bondowner shall no longer accrue interest or be entitled to the benefits of the Indenture, except for the payment of the purchase price and any unpaid interest due on the purchase date; provided, however, that the indebtedness represented by such Converted Bonds shall not be extinguished, and the Trustee shall transfer, authenticate and deliver such Converted Bonds as provided in the Indenture.

Inadequate Funds for Tenders; Failed Conversion

If the funds available for purchase of Converted Bonds are inadequate for the purchase of all 2006A-1 Bonds tendered on any Conversion Date, or if a proposed conversion of the 2006A-1 Bonds otherwise fails as a result of a failure to meet the conditions specified in the Indenture, the Trustee shall: (a) return all tendered 2006A-1 Bonds to the Holders thereof, (b) return all moneys received for the purchase of such 2006A-1 Bonds to the persons providing such money; and (c) notify the Corporation, the Auction Agent, the Remarketing Agent and the Paying Agent of the return of such 2006A-1 Bonds and money and the failure to make payment for tendered Bonds. After any such failed conversion, the 2006A-1 Bonds subject to the failed conversion shall remain Outstanding as RAMS. In the case of a failed conversion of 2006A-1 Bonds, Auctions subject to the failed conversion shall be conducted beginning on the first Auction Date occurring more than two Business Days after the failed Conversion Date and interest thereon shall be determined and paid according to the Indenture.

No Tender Purchases On Redemption Date

The 2006A-1 Bonds (or portions thereof) called for redemption shall not be subject to tender and purchase on the redemption date thereof.

SECURITIES AND EXCHANGE COMMISSION INQUIRY

The Securities and Exchange Commission (the "SEC") has requested information from a number of broker-dealers regarding certain of their practices in connection with auction rate securities. RBC Capital Markets, the initial Broker-Dealer has advised the Corporation that (i) as a participant in the auction rate securities market, it has received a letter from the SEC requesting that it voluntarily conduct an investigation regarding certain of its practices and procedures in connection with those markets and (ii) it has cooperated with the SEC's inquiry, has provided the requested information to the SEC, and has had discussions with the SEC with respect to this inquiry. No assurance can be given as to whether this process will affect the market for the 2006A-1 Bonds or the Auctions for the 2006A-1 Bonds. The Corporation has not conducted any independent review of this matter or of the investigations undertaken by the initial Broker-Dealer.

FIXED RATE BONDS (2006A-2 Bonds)

General

The Fixed Rate Bonds will be dated as of their date of delivery and will mature on June 1 in the years and amounts shown on the cover of this Official Statement. The Fixed Rate Bonds will be issued in fully registered form, without coupons, and when issued will be registered in the name of Cede & Co., as nominee of DTC. DTC will act as securities depository for the Fixed Rate Bonds. Individual purchases of the Fixed Rate Bonds will be made in book-entry form only in the principal amount of \$5,000 within a maturity or any denomination that is an integral multiple of \$5,000 in excess thereof. Purchasers of the Fixed Rate Bonds will not receive certificates representing their interests in the Fixed Rate Bonds purchased. See "Appendix VII - THE DEPOSITORY TRUST COMPANY."

Redemption of the Fixed Rate Bonds

The Fixed Rate Bonds maturing prior to June 1, 2017 are not subject to redemption prior to their scheduled maturities. The Fixed Rate Bonds maturing on or after June 1, 2017 are subject to redemption at the option of the Corporation on or after June 1, 2016 in whole or in part on any date, in increments of \$5,000, with maturities to be selected by the Corporation at a price of 100% of the principal amount thereof to be redeemed plus accrued interest to the date of redemption.

Interest

The Fixed Rate Bonds will bear interest from their date of delivery at the rates per annum shown on the cover page hereof, payable semiannually on June 1 and December 1 of each year, commencing December 1, 2006. Interest on the Fixed Rate Bonds will be computed on the basis of a 360-day year composed of twelve 30-day months. Except

in the case of overdue interest, the Record Date for interest due on the Fixed Rate Bonds will be the fifteenth day of the month preceding each Interest Payment Date.

PLAN OF FINANCE

The 2006 Bonds

The 2006 Bonds are being issued to (i) finance Education Loans for eligible borrowers to fund a portion of their postsecondary education costs, (ii) make a Capital Reserve Fund deposit, and (iii) pay costs of issuance of the 2006 Bonds.

Assumptions Considered in Structuring the 2006 Bonds

In structuring the 2006 Bonds, the Corporation made certain assumptions regarding the Education Loan portfolio to be held under the Indenture, moneys to be deposited under the Indenture, and use of the proceeds of the 2006 Bonds. The Corporation believes these assumptions to be reasonable based upon its experience but cannot guarantee the accuracy thereof.

The Corporation expects, but does not guarantee, that the pool of Education Loans financed with a portion of the proceeds of the 2006 Bonds will consist of the following categories of loans in the following proportions: 37% FFELP Loans and 63% Alternative Loans. A summary of certain characteristics of the Education Loans held in the Trust Estate as of December 31, 2005, is provided below.

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Characteristics of Education Loans

The characteristics of the Education Loans described in the following charts, pertain only to those Education Loans pledged as security for the Bonds as of December 31, 2005. The characteristics of Education Loans held under the Indenture will change over time. No assurance can be given that such changes will not be significant or that they will not be adverse.

<u>Loan Type</u>	<u>Amount</u>	<u>% of Total</u>
Alaska Education Loans	\$174,496,191	73%
Teacher Education Loans	5,122,739	2
Family Education Loans	7,900,499	3
Federal Family Education Loans	<u>53,149,830</u>	<u>22</u>
TOTAL	<u>\$240,669,259</u>	<u>100%</u>

<u>Loan Status</u>	<u>Amount</u>	<u>% of Total</u>
School	\$105,391,705	44%
Grace	11,831,602	5
Deferment	14,423,133	6
Forbearance	5,345,677	2
Repayment	<u>103,677,142</u>	<u>43</u>
TOTAL	<u>\$240,669,259</u>	<u>100%</u>

<u>Interest Rate Category</u>	<u>Amount</u>	<u>% of Total</u>
Fixed Rate (5.0% to 9%)	\$57,959,569	24%
Variable Rate*	<u>182,709,690</u>	<u>76</u>
TOTAL	<u>\$240,669,259</u>	<u>100%</u>

* Rates change annually. The current range is 3.50% to 6.10%.

Loan Delinquencies and Defaults

The Alternative Loans are deemed to be in default when payments become one hundred eighty (180) days past due. The FFELP Loans are deemed to be in default when payments become two hundred seventy (270) days past due. Approximately 1.48% of the Education Loans held under the Indenture were over 180 days past due as of December 31, 2005.

The following table summarizes the delinquency rates for the Education Loans that were in repayment (but not more than 180 days past due).

<u>Aging Category</u>	<u>December 31, 2005</u>
Current	84.5%
31-60 days	11.2
61-90 days	2.6
91-120 days	1.1
121-150 days	0.8
151-180 days	<u>0.7</u>
Total	<u>100.0%</u>

Loan Program Expenses

It has been assumed that the annual Loan Program expenses of the Corporation, which include the Corporation's administrative expenses, the cost of servicing the Pledged Loans, and the fees and expenses of the Trustee, that will be paid from Pledged Receipts ahead of Debt Service on Bonds Outstanding will be approximately one and one-quarter percent (1.25%) of the average principal amount of Pledged Loans outstanding during the previous fiscal year.

SOURCES AND USES OF FUNDS

The Corporation estimates that the proceeds from the sale of the 2006 Bonds will be applied approximately as follows:

Sources:

Principal Amount of 2006 Bonds	\$85,000,000.00
Net Premium on 2006 Bonds	2,158,660.00
Total Sources	<u>\$87,158,660.00</u>

Uses:

Deposit to Education Loan Fund	\$84,758,660.00
Deposit to Capital Reserve Fund	1,700,000.00
Estimated Cost of Issuance (including Underwriters' fee)	700,000.00
Total Uses	<u>\$87,158,660.00</u>

CERTAIN INVESTMENT CONSIDERATIONS

The Corporation believes, based on its analyses of multiple cash flow projections, using various assumptions and scenarios, that (i) Pledged Receipts to be received pursuant to the Indenture and the balances in the various Accounts should be sufficient to pay principal of and interest on the Bonds (including the 2006 Bonds) when due and to pay when due all fees and expenses related to the Bonds and the Education Loans until the final maturity of the Bonds, as more fully described below; and (ii) the liquidity of the amounts in the Accounts should be sufficient under the circumstances as projected to pay principal of and interest on the Bonds (including the 2006 Bonds) when due and also pay when due all expenses related to the Bonds and the Education Loans. A variety of factors, including the factors discussed below, could materially and adversely affect the sufficiency of the Pledged Receipts to meet debt service payments on the Bonds.

Factors Affecting Sufficiency and Timing of Receipt of Pledged Receipts

The Corporation expects that the Pledged Receipts to be received pursuant to the Indenture should be sufficient to pay principal of and interest on the Bonds (including the 2006 Bonds) when due and also to pay the annual cost of all Trustee fees, auction agent fees, if any, insurance fees, credit enhancement fees, if any, servicing costs and other expenses related thereto and to the Education Loans until the final maturity or earlier redemption of such Bonds. This expectation is based upon an analysis of cash flow projections using assumptions, which the Corporation believes are reasonable, regarding the timing of the financing of such Education Loans to be held pursuant to the Indenture, the future composition of and yield on the Education Loan portfolio, the rate of return on moneys to be invested in various Accounts under the Indenture, and the occurrence of future events and conditions. These assumptions are derived from the Corporation's experience in the administration of its Loan Program. There can be no assurance, however, that the Education Loans will be acquired as anticipated, that interest and principal payments from the Education Loans will be received as anticipated, that the reinvestment rates assumed on the amounts in various Accounts will be realized, or that SAP and other payments will be received in the amounts and at the times anticipated. In addition, there can be no assurance that certain costs related to maintaining the Education Loan portfolio, including servicing costs, will not increase. Furthermore, other future events over which the Corporation has no control may adversely affect the Corporation's actual receipt of Pledged Receipts pursuant to the Indenture.

Receipt of principal of and interest on Education Loans may be accelerated due to various factors, including, without limitation: (i) default claims or claims due to the disability, death or bankruptcy of the borrowers greater than those assumed; (ii) actual principal amortization periods which are shorter than those assumed based upon the current analysis of the Corporation's loan portfolio; (iii) the commencement of principal repayment by borrowers on earlier dates than are assumed based upon the current analysis of the Corporation's loan portfolio; (iv) economic conditions that induce borrowers to refinance or repay their loans prior to maturity; and (v) changes in federal or state law which may affect the timing of the receipt of funds by the Corporation. The Corporation or other lenders may make consolidation loans to borrowers for the purpose of retiring certain borrowers' existing loans under various federal or state higher education loan programs. To the extent that Education Loans are repaid with consolidation loans, the Corporation would realize repayment of such Education Loans earlier than projected.

Delay in the receipt of principal of and interest on Education Loans may adversely affect payment of the principal of and interest on the Bonds when due. Principal of and interest on Education Loans may be delayed due to numerous factors, including, without limitation: (i) borrowers entering deferment periods due to a return to school or other eligible purposes; (ii) forbearance being granted to borrowers; (iii) Education Loans becoming delinquent for periods longer than assumed; (iv) actual loan principal amortization periods which are longer than those assumed based upon the current analysis of the Corporation's loan portfolio; and (v) the commencement of principal repayment by borrowers at dates later than those assumed based upon the current analysis of the loan portfolio.

If actual receipt of Pledged Receipts under the Indenture or actual expenditures by the Corporation under its loan origination and acquisition programs vary greatly from those projected, the Corporation may be unable to pay the principal of and interest on the 2006 Bonds and amounts owing on other obligations when due. In the event that Pledged Receipts to be received under the Indenture are insufficient to pay the principal of and interest on the Bonds and amounts owing on certain other obligations when due, the Indenture authorizes, and under certain circumstances requires, the Trustee to declare an Event of Default, accelerate the payment of the Bonds, and sell the Education Loans. In such circumstances, it is possible, however, that the Trustee would not be able to sell the Education Loans and other assets held under the Indenture at prices sufficient to pay the Bonds. The Indenture provides that Bonds issued thereunder, including the 2006 Bonds, be designated a priority Class, with Class I being the highest priority. At any time a current principal or interest payment is required to be made, it will be made first with respect to Bonds of the highest priority Class, and then in descending order of priority. In addition, the ability to control or pursue remedies is given "By Class in Descending Priority" as described in APPENDIX II to this Official Statement. Exercise of remedies by a higher priority Class upon a default, including particularly acceleration of a higher priority Class of Bonds, or exercise of remedies by a Credit Enhancement Agency following a default under a related agreement (see "SECURITY FOR THE BONDS - Certain Payment Priorities") could adversely affect the ability of lower priority Classes of Bonds to receive payment of debt service when due.

FFELP Loan Program

In FY 2002-03, the Corporation began offering FFELP Loans under its Loan Program. As of December 31, 2005, there were \$53,149,830 of FFELP Loans held in the Trust Estate. See "THE ALASKADVANTAGE® LOAN PROGRAM - The Federal Loan Program." The Commission anticipates that approximately 37% of the proceeds of the 2006 Bonds will be used to finance FFELP Loans, although there can be no assurance what demand there will be for such loans.

Guarantor/Guarantee

Northwest Education Loan Association ("NELA")* currently serves as the "eligible guarantor" of the FFELP Loans. In the event the financial status of NELA and its ability to honor guarantee claims were to deteriorate over time, such event could result in a delay or a failure to make guarantee payments to holders of FFELP Loans, including the Corporation. The percentage of federal reimbursement to a guarantor is based upon the amount of federal reimbursement payments made to such guarantor as a percentage of the principal amount of the guarantor's guaranteed loans in repayment at the end of the preceding federal fiscal year. Higher than expected default claims against a guarantor of guaranteed loans could reduce the amount of federal reimbursement to such guarantor, which in turn could cause such

* See "FFELP LOAN GUARANTOR."

guarantor to reduce its reserve fund below desired levels in order to pay guarantee claims. Guarantor operations and activities are subject to statutory and regulatory change. See "INSURANCE AND GUARANTEES - Federal Insurance and - Guarantees."

Alternative Loans are not guaranteed by NELA or any other guarantor.

Changes to Federal Family Education Loan Program

The Higher Education Act and the Federal Family Education Loan Program (the "FFEL Program") have been subject to numerous amendments and changes over the years which have changed the terms of and eligibility requirements for the FFELP Loans. These changes have included, among other things, changes in the calculation of interest rates and SAP on federal education loans, changes in the requirements to offer alternate payment plans to borrowers, additional loan forgiveness provisions, and additional restrictions on guaranty agencies' use of funds. As a result of changes to the FFEL Program, the net revenues received by holders of FFELP Loans have in some cases been reduced and may be further reduced in the future.

On February 8, 2006, President Bush signed into law the Higher Education Reconciliation Act of 2005 (the "2005 HEA Amendments"), which made significant changes to the Higher Education Act. Many of the changes made by the 2005 HEA Amendments will not be effective until July 1, 2006 or later and could affect the Corporation's programs and the availability and flow of funds. See "DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM."

Federal Budgetary Legislation

The availability of various federal payments in connection with the FFEL Program is subject to federal budgetary appropriation. In recent years, federal budgetary legislation has been enacted which has provided, subject to certain conditions, for the mandatory curtailment of certain federal budget expenditures, including expenditures in connection with the FFEL Program and the recovery of certain advances previously made by the federal government to state guarantee agencies in order to achieve certain deficit reduction guidelines. No representation is made as to the effect, if any, of future federal budgetary appropriation or legislation upon expenditures by the Department of Education, or the effect, if any, of any future legislation or regulations upon the Corporation's Loan Program or other factors that could potentially affect timely payment of the 2006 Bonds.

Noncompliance with the Higher Education Act

Noncompliance with the Higher Education Act, with respect to FFELP Loans, by lenders, any guarantor, any servicer or the Corporation may adversely affect payment of principal of and interest on the Bonds when due. The Higher Education Act and the applicable regulations thereunder require the lenders making FFELP Loans, guarantors guaranteeing such loans and lenders or servicers servicing such loans to follow certain due diligence procedures in an effort to ensure that FFELP Loans are properly made and disbursed to, and timely repaid by, the borrowers. Such due diligence procedures include certain loan application procedures, certain loan origination procedures and, when a FFELP Loan is in default, certain loan collection procedures. The procedures to make, guarantee and service FFELP Loans are set forth in the Code of Federal Regulations and other documents of the Department of Education, and no attempt has been made in this Official Statement to describe those procedures in their entirety. Failure to follow such procedures may result in the Secretary's refusal to make reinsurance payments to a guarantor on such loans or may result in the guarantor's refusal to honor its guarantee on such loans to holders of guaranteed loans, including the Corporation. Such action by the Secretary could adversely affect a guarantor's ability to honor guarantee claims, and loss of guarantee payments to the Corporation by an eligible guarantor could adversely affect the ability of the Corporation to make payment of principal of and interest on the Bonds.

Military Events May Result in Delayed Payments From Borrowers Called to Active Military Service; Other Relief

On December 19, 2003, President Bush signed into the law the Servicemembers Civil Relief Act which was enacted in an effort to update and modernize the Soldiers' and Sailor's Civil Relief Act of 1940 and provides relief to borrowers who enter active military service and to borrowers in reserve status who are called to active duty after the

origination of their education loans. Military action of the United States may increase the number of citizens who are in active military service, including persons in reserve status who has been called or will be called to active duty. The Servicemembers Civil Relief Act also limits the ability of a lender in the FFEL Program to take legal action against a borrower during the borrower's period of active duty and, in some cases, during an additional three month period thereafter. As a result, there may be delays in payment and increased losses on the Education Loans held in under the Indenture. The Corporation does not know how many students have been or may be affected by the application of the Servicemembers Civil Relief Act and the recent guidelines of the Department. If a substantial number of borrowers under the Education Loans held under the Indenture become eligible for the relief provided under the Servicemembers Civil Relief Act, there could be an adverse effect on the total collections on the Education Loans and the ability of the Corporation to make payments on the Bonds.

The Higher Education Relief Opportunities for Students Act of 2003 ("HEROES Act of 2003") was signed into law on August 18, 2003 and authorizes the Secretary to waive or modify any statutory or regulatory provisions applicable to student financial aid programs under Title IV of the Higher Education Act as the Secretary deems necessary to ensure that education loan borrowers who: (i) are serving on active military duty during a war or other military operation or national emergency; (ii) are serving on National Guard duty during a war or other military operation or national emergency; (iii) reside or are employed in an area that is declared by any federal, state or local official to be a disaster area in connection with a national emergency; or (iv) suffered direct economic hardship as a direct result of war or other military operation or national emergency, as determined by the Secretary, to ensure that such recipients of student financial assistance are not placed in a worse financial position in relation to that assistance, to ensure that administrative requirements in relation to that assistance are minimized, to ensure that calculations used to determine need for such assistance accurately reflect the financial condition of such individuals, to provide for amended calculations of overpayment, and to ensure that institutions of higher education, eligible lenders, guaranty agencies and other entities participating in such student financial aid programs that are located in, or whose operations are directly affected by areas that are declared to be disaster areas by any federal, state or local official in connection with a national emergency may be temporarily relieved from requirements that are rendered infeasible or unreasonable. The number and aggregate principal balance of education loans that may be affected by the application of the HEROES Act of 2003 is not known at this time. Accordingly, payments received by the Corporation on Education Loans made to a borrower who qualifies for such relief may be subject to certain limitations. If a substantial number of borrowers under the Education Loans become eligible for the relief provided under the HEROES Act of 2003, there could be an adverse effect on the total collections on the Education Loans and the ability of the Corporation to pay interest on the 2006 Bonds if there are insufficient funds in the Capital Reserve Fund. In addition, the 2005 HEA Amendments included a three-year military deferment for qualifying military duties.

In addition to the above federal legislation, Section 14.43.120 of the Act provides, subject to certain conditions, for a deferment of principal and interest payments on Education Loans for borrowers who are serving an initial period of up to three years on active duty as a member of the armed forces of the United States. For Alternative Loans, payment of the interest is only deferred if funds have been so appropriated by the State legislature. The Act also provides, subject to appropriation, for forgiveness of both principal and interest on a portion of an Education Loan if, after being enrolled in the course of study for which the Education Loan was granted, the borrower is a student who is unable to complete the school term as a result of serving on active duty. The portion of the Education Loan eligible for forgiveness is equal to the amount borrowed by the student for the school term in which the borrower's studies are terminated. The number of borrowers who may be affected by these requirements is uncertain. If a substantial number of Education Loans held under the Indenture become eligible for such relief, there could be an adverse effect on the total collections on the Education Loans and the ability of the Corporation to make payments on the 2006 Bonds.

General Economic Conditions

A downturn in the economy resulting in substantial layoffs either regionally or nationwide may result in an increase in delays by borrowers in paying Education Loans, thus causing increased default claims to be paid by guarantors on FFELP Loans and increased losses on Alternative Loans. It is impossible to predict the status of the economy or unemployment levels or at what point a downturn in the economy would significantly reduce revenues to the Corporation or the guarantors' ability to pay default claims.

Uncertainty as to Available Remedies

The remedies available to owners of the 2006 Bonds upon an Event of Default under the Indenture or other documents described herein are in many respects dependent upon regulatory and judicial actions which often are subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code, the remedies specified by the Indenture and such other documents may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the issuance of the 2006 Bonds will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION/ ALASKA STUDENT LOAN CORPORATION

Commission - General Information

State law established the Alaska Commission on Postsecondary Education (the "Commission") in 1974. The Commission's primary purposes are to enable residents of the State to evaluate their postsecondary educational needs and available resources, to enable State residents to make informed decisions regarding the disposition of those resources, and to assure State residents of the opportunity to satisfy those postsecondary needs and goals. The Commission has no bond issuing authority.

The Commission consists of fourteen members representing public and private postsecondary education institutions in the State, advisory groups, and members of the Legislature. The Commission appoints an Executive Director. The Executive Director then appoints persons to staff positions authorized by the Commission.

The Commission has offices in Juneau and Anchorage, Alaska. The principal office for the Commission is located at 3030 Vintage Boulevard, Juneau, Alaska 99801-7109. The mailing address of the Commission is P.O. Box 110505, Juneau, Alaska 99811-0505 and the telephone number is (907) 465-6740. The Attorney General of the State serves as counsel to the Commission.

Staffing of the Commission

The Commission includes four divisions which are managed by a six-member professional team. These individuals direct the affairs of the staff and report to the Executive Director. The four divisions are Finance, Loan Operations and Outreach, Information Support Services, and the Executive Office. Ms. Sheila King supervises the Finance Division, which is responsible for the Corporation's asset management, financing activities, payment processing and accounting. She is assisted by Ms. Elizabeth McDonough. The Loan Operations and Outreach Division is directed by Ms. Stephanie Butler. This Division is responsible for citizen outreach and program marketing initiatives, strategic analysis, loan origination, customer service, deferment and forgiveness processing, skip tracing, due diligence activity on delinquent loans, records, and other specialized student aid programs. The Information Support Services Division is directed by Mr. Kenneth Dodson. All development and support functions related to the management of the automated loan servicing system software, hardware, mainframe and internet connectivity reside within this Division. The fourth division is the Executive Office, which in addition to the Executive Director, is managed by the two other members of the professional team, Administrative Officer Frank Love, and the Internal Auditor (the Internal Auditor position is currently vacant). This division is responsible for overall agency management and specifically for internal audit, human resource management, procurement, institutional authorization, and procedural compliance with all relevant State and federal statutes, regulation and subregulatory policies.

As of December 31, 2005, the Commission had one hundred and four staff positions. These positions are assigned as follows: nine to the Executive Office, twelve to Finance, sixty-eight to Loan Operations and Outreach, and fifteen to Information Support Services.

Executive and Senior Staff of the Commission

Ms. Diane Barrans, Executive Director of the Commission. Ms. Barrans assumed the duties of Executive Director of the Commission and Executive Officer of the Corporation on July 10, 1995. Ms. Barrans joined the staff in January 1983 and held several positions with the agency, most recently serving as Program Coordinator from 1989 to 1993 and Director of Student Financial Aid Programs in 1994/95. Originally appointed in 1996, in 2003 Ms. Barrans was re-appointed by Governor Frank Murkowski to serve on the Western Interstate Commission on Higher Education. Ms. Barrans currently serves as immediate Past-Chair of the Western Interstate Commission for the 2004-2006 term. Ms. Barrans also jointly serves with the President of the University of Alaska as the State Higher Education Executive Officers for the State. Ms. Barrans currently serves as President of the State Higher Education Officers Organization. Ms. Barrans received a bachelor of arts degree from Barnard College of Columbia University in 1982.

Ms. Sheila King, CPA, Chief Financial Officer. Ms. King joined the Commission in May 1998. Prior to joining the Commission, Ms. King was the Accountant IV/Controller for the Alaska Industrial Development and Export Authority from May 1994 to April 1998 and worked as a Supervising Senior Auditor for KPMG LLP (formerly known as KPMG Peat Marwick LLP) from February 1990 to May 1994. From 1983 to 1990, Ms. King worked in the accounting field in a variety of capacities. Ms. King received a bachelor of science degree in business administration from University of Texas at Dallas in 1989.

Ms. Elizabeth McDonough, Senior Accountant. Ms. McDonough originally joined the Commission in 1988 and served in the finance unit in a variety of capacities through 1993. From 1988 to 1991 she worked as an Accountant, from 1991 to 1992 she was the Finance Manager, and from 1992 to 1993 she was the Principal Analyst in charge of system projects. Ms. McDonough again joined the Commission in 1994 and since that time has been the Senior Accountant in the Finance Division. Ms. McDonough received a bachelor of science degree in business administration with an accounting emphasis from California State University, Long Beach in 1983.

Ms. Stephanie Butler, Director of Loan Operations and Outreach. Ms. Butler joined the Commission in August 1997 as Institutional Authorization Program Coordinator. She was promoted to Director of Institutional Relations in June 1998. In October 2001 she accepted her current position. Prior to coming to the Commission, she worked for the University of Alaska Anchorage as Administrative Manager from November 1992 to 1997 and Information/Support Services Manager from 1990 to 1992. Ms. Butler is a Certified Internal Auditor through the International Institute for Internal Auditing and a Certified Government Professional. Ms. Butler received a master of science in business administration/management from Boston University in 1987 and a bachelor of arts in English from Barry University in Miami, Florida, in 1983.

Mr. Kenneth Dodson, Director of Information Support Services. Mr. Dodson joined the Commission in September 1994 as Director of Information Support Services. Prior to coming to the Commission he was employed from 1988 until 1994 by UNIPAC Service Corporation in Denver, Colorado, first as a Programmer in 1988 advancing to Information Services Supervisor in 1990. In September of 1991 Mr. Dodson assumed the role as Information Services Supervisor of Regulation and Compliance Support where his team successfully implemented the changes required by the 1992 Reauthorization Act as well as the Rebate Eligible Loans provisions. Mr. Dodson served on the steering committee for the Rocky Mountain Chapter of the Project Management Workbench Users Group and was on the planning committee for the Guaranteed Student Loan Users Group. The Commission services the Corporation's loan portfolio using the Higher Education Loan Management System ("HELMS"). Mr. Dodson is past President and a current member of the HELMS User Group. (The HELMS User Group is comprised of software provider representatives and student loan servicers currently using HELMS.) Mr. Dodson received a certificate in Computer Information Systems from Tucumcari Area Vocational School in Tucumcari, New Mexico, in 1988.

Mr. Frank Love, Administrative Officer. Mr. Love joined the Commission in July 1997. Prior to joining the Commission, Mr. Love's professional life was substantially spent as a 32-year career member of the United States Coast Guard. For the latter eighteen years of his service, Mr. Love served in various capacities as a human resources manager, engaged in personnel management, employee relations, career development, and staff training initiatives. Mr. Love has received certificates in Human Relations from the Defense Equal Opportunity Management Institute and Chief Petty Officer Training from the U.S. Coast Guard Training Center in addition to receiving ongoing training in Human Resources issues.

Corporation - General Information

In 1987, State law created the Corporation. The statute creating the Corporation is codified at Alaska Statutes 14.42.100 through 14.42.990, as amended (the "Act"). Pursuant to the Act, the Corporation is a "public corporation and government instrumentality within the Department of Education and Early Development but having a legal existence independent of and separate from the state." Its primary purpose is to finance education loans. A combination of revenues generated from the issuance of bonds and loan repayments fund the Loan Program.

The Corporation is governed by a board of directors (the "Board"). The supervision of the administration of the Corporation is delegated to the Executive Officer of the Corporation (the "Executive Officer"), who is also the Executive Director of the Commission.

The principal office of the Corporation is located at 3030 Vintage Boulevard, Juneau, Alaska 99801-7109. The mailing address for all general correspondence of the Corporation is P.O. Box 110505, Juneau, Alaska 99811-0505. The telephone number for the Corporation is (907) 465-6740. The Attorney General of the State serves as counsel to the Corporation.

The Corporation has previously issued the following bonds: (i) \$673,770,000 principal amount of Student Loan Revenue Bonds under a trust indenture dated as of May 1, 1988, as amended and supplemented, of which \$226,550,000 amount is currently outstanding, (ii) \$75,140,000 principal amount of Capital Project Revenue Bonds under an indenture dated as of February 1, 2004, of which \$66,310,000 is currently outstanding, and (iii) \$88,305,000 principal amount of State Project Revenue Bonds under an indenture dated as of March 1, 2005, of which \$88,305,000 is currently outstanding. These bonds are not issued under the Indenture and have no right, title or claim to the Trust Estate securing the 2006 Bonds or Prior Bonds.

Corporation Membership

The Board consists of two members of the Commission, the Commissioner of Revenue, the Commissioner of Administration, and the Commissioner of Commerce, Community and Economic Development. The members of the Board who represent the Commission serve on the Board at the pleasure of the Governor, subject to their incumbency on the Commission.

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The table below identifies the current members of the Corporation's Board (and, where applicable, their first delegates to the Board).

<u>Name and Location</u>	<u>Principal Occupation</u>
Randy Simmons, Chair Anchorage, Alaska	Retired Commission Member
Spike Jorgensen Tok, Alaska	Senior Partner, Harold Webb Associates, Ltd. Commission Member
William A. Corbus Juneau, Alaska	Commissioner Alaska Department of Revenue
Tom Boutin, First Delegate Juneau, Alaska	Deputy Commissioner Alaska Department of Revenue
Scott Nordstrand Juneau, Alaska	Commissioner Alaska Department of Administration
Kevin Brooks, First Delegate Juneau, Alaska	Deputy Commissioner Alaska Department of Administration
William Noll Juneau, Alaska	Commissioner Alaska Department of Commerce, Community and Economic Development
Greg Winegar, First Delegate Juneau, Alaska	Director of the Alaska Division of Investments

Mr. Randy Simmons, Chair of the Corporation and Member of the Commission. Mr. Simmons was appointed to the Commission in 2001 by the Governor and to the Board of the Corporation that same year. In 2005, Mr. Simmons retired from his position as the Vice President of operations at JL Properties, Inc. in Anchorage, where he oversaw the management of commercial and residential properties and promoted the development of new projects. He previously served as Development and Finance Manager of the Alaska Industrial Development and Export Authority, coordinating economic development projects and the development of policy, and was promoted to Chief Executive Officer with the responsibility for encouraging economic development and diversification in the State. As CEO, he also served as the CEO of the Alaska Energy Authority, a billion-dollar State corporation responsible for State-owned energy projects, State energy policy, and rural energy programs. He has served as comptroller for the Alaska Department of Transportation and Public Facilities where he was promoted to Deputy Commissioner of Finance and Management, responsible for the administrative and financial functions of the department, as well as oversight of the Alaska Marine Highway System and International Airport System. Prior to his public sector service, Mr. Simmons was a tax manager and supervisor at Coopers & Lybrand, CPA's, in Anchorage. Mr. Simmons earned his juris doctorate in 1979 from the University of Oregon, School of Law, and his bachelor of science in business administration in 1974. He is a certified public accountant and a member of the Alaska State Bar.

Dr. Spike Jorgensen, Ph.D, Member of the Corporation and Member of the Commission. Dr. Jorgensen was appointed to the Commission by the Governor in December 2005 and to the Board of the Corporation in March 2006. Dr. Jorgensen is a senior partner in Harold Webb Associates, Ltd., a recruitment organization for school district superintendent candidates nationwide. In addition to his past service as a superintendent, principal, and teacher in South Dakota, Wyoming, and Alaska, he was an adjunct professor at the Universities of Wyoming and Alaska, and most recently retired as the longest tenured superintendent in Alaska. Dr. Jorgensen participates in numerous community and other organizations promoting public education and civic engagement, including as a member of the Tok Area Chamber of Commerce, member of the policy board for Public Education Network, and senior advisor for Columbia University Teachers College Superintendent Program. Dr. Jorgensen earned his education doctorate in public administration at the University of Wyoming in 1976.

Mr. Scott Nordstrand, Commissioner, Department of Administration. Mr. Nordstrand was appointed Commissioner of the Department of Administration in 2005. Mr. Nordstrand is an attorney and previously served as deputy attorney general for the civil division in the state Department of Law. Prior to his state service, Mr. Nordstrand served for 15 years as an attorney in private practice in Anchorage primarily focusing on employment and commercial litigation. Mr. Nordstrand has been active in several legislative initiatives that affect the Department of Administration such as the creation of the Office of Administrative Hearings, PERS/TRS reform and workers' compensation reform. Mr. Nordstrand received his bachelor's degree in political science from the University of Wisconsin and a law degree from the University of North Dakota School of Law.

Mr. Kevin A. Brooks, Deputy Commissioner, Department of Administration. (Mr. Brooks serves on the Board as a Delegate of Scott Nordstrand.) Mr. Brooks was appointed Deputy Commissioner in June 2004. He oversees the divisions of Administrative Services, Finance, General Services, Enterprise Technology Services, Retirement and Benefits, and the Oil and Gas Conservation Commission. Mr. Brooks began his career with the State of Alaska in 1983 working as an accounting clerk and went on to serve as the finance officer of the Department of Military and Veterans Affairs in January of 1986. He later served as an accounting supervisor, budget analyst, and director of administrative services for the Department of Administration. In 1992-93 he worked in the private sector as a business manager for a publishing company, providing budget, accounting, and payroll services. From October 1993 to June of 2004 he served as the director of administrative services for the Department of Fish and Game in Juneau. He earned his bachelor's degree in international studies from the University of Michigan, and an MBA from the University of Alaska.

Mr. William A. Corbus, Commissioner, Department of Revenue. Mr. Corbus was appointed Commissioner on December 9, 2002. Mr. Corbus recently retired as president of Alaska Electric Light and Power Company, the electrical utility for Juneau, where he had worked since 1970. Mr. Corbus served on the Alaska State Pension Investment Board from 1993 to 1999, and on several bank boards in Alaska. He holds a bachelor's degree in industrial engineering from Stanford University and a master's degree in business administration from the Amos Tuck Graduate School at Dartmouth College. Mr. Corbus is a Navy veteran, and worked in financial planning and accounting at a New York City firm after leaving the Navy in the 1960s. As Revenue Commissioner, Mr. Corbus serves on the Board of Trustees of the Alaska Permanent Fund Corporation, in addition to overseeing the tax, investment and public service functions of the 900-employee Department of Revenue.

Mr. Tom Boutin, Deputy Commissioner, Department of Revenue, Treasury and Tax Division. (Mr. Boutin serves on the Board as the First Delegate of William Corbus.) Mr. Boutin was appointed Deputy Commissioner in February 2003. Mr. Boutin spent his first 22 years in New Hampshire, logging and working for dairies. He then moved to Alaska, working as a logging engineer for Ketchikan Pulp Co. and as a timber faller, rigging slinger and equipment operator for various logging and road building firms. He bought and sold logs, lumber, veneer and plywood for North Pacific Lumber Company, and was Chief Financial Officer and then President and Chief Financial Officer for Klukwan, Inc., an Alaska Native Claims Settlement Act corporation involved in forest products and money management. His government service experience consists of State Debt Manager for the Alaska Department of Revenue, Alaska State Forester, and currently, Deputy Commissioner for the Alaska Department of Revenue. Mr. Boutin has a Bachelor of Science from the University of New Hampshire, and an MBA in Finance from the University of Oregon. He has lived in Juneau for the past 21 years.

Mr. William Noll, Commissioner, Department of Commerce, Community and Economic Development. Bill Noll was appointed Commissioner of the Department of Commerce, Community and Economic Development in July 2005. Prior to his appointment, he served as Deputy Commissioner from 2003 to 2005, Communications Director for the Governor, and Deputy Commissioner for Economic Development and International Trade under former Governor Walter J. Hickel's administration. Mr. Noll is a former mayor and city council member of the City of Seward. As Commissioner, Mr. Noll oversees seven divisions and seven independent agencies with a mutual mission to encourage and contribute to the State's economic growth through business development and investments in Alaska, the Lower 48 States, and in international markets, as well as to promote independent sustainable communities.

Mr. Greg Winegar, Director of the Division of Investments. (Mr. Winegar serves as the First Delegate of William Noll.) Mr. Winegar was appointed Director of the Division of Investments in May 2000. This Division administers various direct lending programs for the State and services loans for other State agencies, representing approximately 3,500 accounts totaling \$250 million. Prior to his appointment as Director, Mr. Winegar served as the Division of Investment's Lending Branch Manager for 21 years. Mr. Winegar received his bachelors degree from the

Evergreen State College in 1973. In addition to his work as Lending Branch Manager, he also served as a Loan Officer for the Department for five years where his responsibilities included credit analysis and recommendations for commercial, multi-family, residential and consumer loan requests.

Staffing of the Corporation

The staff of the Commission also serves as staff of the Corporation in accordance with the Act. The Corporation does not have the authority to hire staff independently. See "Staffing of the Commission" above.

Authority of the Corporation

The Act grants the Corporation various corporate powers, including, among others, the authority to: (i) make and execute agreements, contracts, and other instruments necessary or convenient in the exercise of the powers and functions of the Corporation, including contracts with a person or governmental entity; (ii) borrow money to carry out its corporate purposes and issue its obligations as evidence of the borrowing; (iii) collect from a borrower amounts owed with respect to an education loan the Corporation has purchased; (iv) service education loans held by the Corporation; (v) purchase, or participate in the purchase, of education loans; (vi) contract in advance for the purchase or sale of education loans; (vii) sell, or participate in the sale, either public or private and on terms authorized by the Board, of education loans to other purchasers; (viii) collect and pay reasonable fees and charges in connection with the purchase, sale and servicing of education loans; (ix) enter into agreements with the Commission relating to education loans, the administration of the education loan fund created under the Act, and the payment of and security for bonds of the Corporation; and (x) perform acts that may be necessary or appropriate to carry out effectively the general objectives and purposes of the Corporation under the Act.

Dividend Plan of the Corporation

In 2000, an amendment to the Act became effective which permits the Corporation, as approved by the Board, to pay the State a return of capital payment or a dividend for each base fiscal year that the Corporation's net income equals or exceeds \$2,000,000. The payment amount may not be less than ten percent (10%) nor more than thirty-five percent (35%), as approved by the Board, of the Corporation's net income for the base fiscal year, and is subject to the provisions of any applicable bond indentures of the Corporation. The base fiscal year is the fiscal year ending two years before the fiscal year in which payment is made available.

The Board of the Corporation has approved and paid return of capital payments to the State of \$5.6 million and \$3.1 million for payment in fiscal years 2005 and 2006, respectively. The Corporation has approved a return of capital payment to the State of \$1.9 million for payment in fiscal year 2007.

THE ALASKADVANTAGE® LOAN PROGRAM

General

The information set forth under this heading, "THE ALASKADVANTAGE® LOAN PROGRAM," refers to the Loan Program generally and to Education Loans within the Loan Program generally and is not specific to Education Loans within the Loan Program that are pledged as security for the Bonds. With respect to Education Loans within the Loan Program that are pledged as security for the Bonds, see "PLAN OF FINANCE."

The purpose of the Loan Program is to provide low-interest loans to Alaskans pursuing education and training at a postsecondary level and to other qualified individuals attending postsecondary institutions in the State. The Loan Program has grown from annually serving just over 1,000 Alaskans in the 1971-72 academic year, to serving more than 57,000 borrowers in 2004. In its 34 years of operation, over 332,000 education loans have been awarded to Alaskan residents, in an amount in excess of \$1.7 billion.

Education Loans are provided to eligible Alaskans and may be used only to offset allowable educational costs as defined by statute. The loans may be used for attendance at any accredited or approved college, university, or vocational-technical program.

The following chart provides a five-year summary of the number of loans awarded by the Commission:

<u>School Year</u>	<u>Loans Awarded</u>	<u>In-State Loans</u>	<u>Out-of-State Loans</u>	<u>Undergraduate Loans</u>	<u>Graduate Loans</u>
2000-01	9,939	4,722 or 48%	5,217 or 52%	9,169	770
2001-02	9,369	4,474 or 48%	4,895 or 52%	8,530	767
2002-03	10,356	5,595 or 54%	4,761 or 46%	9,451	905
2003-04	11,563	6,982 or 60%	4,581 or 40%	10,508	1,055
2004-05	12,226	7,961 or 65%	4,265 or 35%	11,075	1,151
2005-06 ⁽¹⁾	11,014	7,465 or 68%	3,549 or 32%	10,142	872

(1) For the six month period ending December 31, 2005.

Borrower Benefit Program

The Corporation has approved various programs to provide incentives and rewards for borrowers. Under the Borrower Benefit Program, effective July 1, 2006 through June 30, 2007, borrowers with qualified loans held by the Corporation are eligible for certain reductions in interest rate or interest rate rebates on any such loan. Certain Education Loans will be eligible under the Corporation's Borrower Benefit Program. The Borrower Benefit Program is subject to the availability of funds and annual modification or termination by the Corporation in its discretion; provided, however, any change in the Borrower Benefit Program which impacts any Education Loan held under the Indenture requires a Rating Confirmation.

The Alternative Loan Program

There are four types of Alternative Loans available through the Loan Program: (i) Supplemental Education Loans, which include Education Loans for students enrolled in half-time or greater status; (ii) Alaska Family Education Loans; (iii) Teacher Education Loans; and (iv) Alternative Consolidation Loans (collectively, the "Alternative Loans"). Substantially all loans financed by the Corporation prior to July 2002 were Supplemental Education Loans.

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Following is a table which briefly shows certain characteristics of the Alternative Loans. These characteristics are set by the Act.

	Academic Year <u>Loan Limit</u>	Aggregate <u>Loan Limit</u>*	Repayment <u>Period</u>	Grace <u>Period</u>
Supplemental Education Loan:				
Graduate	\$9,500	\$47,500	10 years	6 months
Undergraduate	8,500	42,500	10 years	6 months
Vocational	6,500	42,500	10 years	6 months
Family Education Loan:				
Graduate	\$9,500	\$47,500	10 years	N/A
Undergraduate	8,500	42,500	10 years	N/A
Teacher Education Loan:				
Graduate	\$7,500	\$37,500	15 years	6 months
Undergraduate	7,500	37,500	15 years	6 months
Alternative Consolidation Loan:				
<\$30,000	N/A	Max of Loans	10 years	N/A
\$30,000 or more	N/A	to Consolidate	15 years	N/A

* A borrower's overall limit under the Alternative Loans (combining undergraduate and graduate education loans) cannot exceed \$60,000.

The Federal Loan Program

After extensive analysis, the Corporation expanded its program offerings beginning with the 2002-2003 academic year to include loans governed by the Higher Education Act (collectively, the "Federal Family Education Loans" or "FFELP Loans" and, the program with respect thereto, the "Federal Family Education Loan Program" or "FFELP Loan Program"). To accommodate the FFELP Loan Program, the Commission secured the status of "eligible lender" under the Higher Education Act and entered into various agreements with NELA, which serves as the Commission's "eligible guarantor" under the Higher Education Act. See "DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM."

DESCRIPTION OF ALTERNATIVE LOANS

Supplemental Education Loan

A person is eligible for a supplemental education loan if certain statutory requirements are satisfied, including (i) admission as at least a half-time student into a career education, associate, baccalaureate, or graduate degree program, (ii) State residency and attendance at an approved college, university or vocational technical program, or nonresidency and attendance at an approved college, university or vocational technical program in the State, and (iii) determination by the Commission that the person is credit worthy.

Currently, the loan limit for any one academic year is \$9,500 for qualified graduate students, \$8,500 for qualified undergraduate students, and \$6,500 for qualified vocational students. Under the Loan Program, borrowing limits amount to \$42,500 per student for undergraduate loans, \$47,500 per student for graduate loans, and \$60,000 overall. To maintain a loan the student must continue to be enrolled, in academic good standing, in a career education program, college or university at least half-time.

Interest accrues on the loan from the time of the initial disbursement until the loan is paid in full. Repayment of the principal of and interest on a loan begins no later than six months after the borrower's graduation or a change in enrollment status to less than half-time. Repayment of the total amount owed is made in periodic installments over ten

to fifteen years from the commencement of repayment, except with respect to certain periods of forbearance or deferment. If the Commission and the borrower agree to a different repayment schedule, the borrower is required to repay the loan in accordance with such agreement. A borrower may make payments earlier than required.

Pursuant to the Supplemental Education Loan terms for loans originated prior to July 1, 2006, the borrowers pay a variable rate of interest which is adjusted annually on or after June 1 of each loan year and effective for the next twelve months beginning July 1. The variable interest rates are based on the bond equivalent rate of 91-day United States Treasury bills auctioned at the final auction held before June 1 of the loan year plus up to 2.8% and are capped at 8.25%. For loans originated after June 30, 2006, interest rates will be a fixed rate of interest, set by the Corporation on or after May 1 of each year and based on the Municipal Market Data AAA Insured Alternative Minimum Tax Revenue Bond Yield Curve, plus 30 basis points and up to an additional three percent for costs of administering the Loan Program. However, such fixed rate of interest set by this formula will not be less than the federal Stafford Loan fixed rate plus 50 basis points.

Teacher Education Loan

The Teacher Education Loan Program is designed to support the growth of teaching staffs in rural areas of the State. Historically, the annual loan volume under this program has been less than \$1,500,000. These loans do not bear interest while a student borrower is enrolled in a qualified educational program. Interest rates for Teacher Education Loans are fixed rates set by the Commission and are based on the cost of funds plus up to 3% for program administration. The Commission limits the number of new applicants to 90 each year.

For substantially all of the Teacher Education Loans, repayment of the principal and interest begins six months after the borrower's graduation or change in enrollment status to less than full-time. A borrower may make payments earlier than required.

Borrowers of Teacher Education Loans can obtain up to 100% forgiveness on loans awarded if the borrower teaches in rural Alaska for periods specified by the program. As of December 31, 2005, there were approximately \$5,100,000 of outstanding loans eligible for forgiveness; the Corporation anticipates that only 40% of these loans will actually be forgiven.

Family Education Loan

The Alaska Family Education Loan Program is designed to provide financial assistance to families for the postsecondary education of family members. The interest rate for these loans is currently fixed by State law at 5%.

Interest accrues on the loan from the time of the initial disbursement until the loan is paid in full. Repayment begins the month following the date of last disbursement for the loan year. A borrower may make payments earlier than required.

Alternative Loan Fees

The Commission charges a 3% origination fee on all Alternative Loans issued except the Alternative Consolidation Loans. The purpose of the origination fee is to offset loan losses due to death, disability, bankruptcy or default. These amounts are not pledged under the Indenture and there is no assurance that the amounts will be used to pay for any losses incurred in connection with Education Loans held under the Indenture.

Alternative Consolidation Loans

Borrowers with two or more supplemental loans, which total in the aggregate of at least \$3,500 may consolidate those loans under the Alternative Consolidation Loan Program.

Alternative Consolidation Loan applicants are subject to minimum FICO credit score standards or, alternatively, must have made full and timely payments on all loans held by the Commission for the twelve-month period immediately prior to the application.

Interest rates on the Alternative Consolidation Loans are fixed rates set annually by the Corporation and are based on the 10-year United States Treasury note auctioned at the final auction held before June 1 plus up to 2%.

Repayment of principal and interest begins no later than 60 days from the date the Alternative Consolidation Loan is originated. The repayment term for the Alternative Consolidation Loans is 10 years for loans with a principal balance of less than \$30,000 and 15 years for loans with a principal balance of \$30,000 or more.

DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM

General

The information under this heading, "DESCRIPTION OF FEDERAL FAMILY EDUCATION LOAN PROGRAM," refers to the FFELP Loan Program generally and to FFELP Loans within the FFELP Loan Program generally and is not specific to FFELP Loans that are pledged as security for the Bonds. With respect to FFELP Loans that are pledged as security for the Bonds, see "PLAN OF FINANCE."

The FFELP Loan Program includes several different educational loan programs. Under these programs, state agencies or private nonprofit corporations administering FFELP Loan insurance programs ("Guarantee Agencies" or "Guarantors") are reimbursed for losses sustained in the operation of their programs, and holders of certain loans made under such programs are paid subsidies for owning such loans. The Commission is an "eligible lender" under the Higher Education Act.

The Higher Education Act has been subject to frequent amendments, including several amendments that have changed the terms of and eligibility requirements for the FFELP Loans. As described above in "Changes to Federal Family Education Loan Program," the 2005 HEA Amendments were signed into law on February 8, 2006, many of the changes in which are scheduled to take effect July 1, 2006. The Higher Education Act will likely be the subject of further amendment during the time the 2006 Bonds are Outstanding. There can be no assurance the changes made by the 2005 HEA Amendments or the Higher Education Act, or other relevant federal or State laws, rules and regulations will not be changed in the future in a manner that, will adversely impact the programs described below and the student loans made thereunder. Generally, this Official Statement describes only the provisions of the Federal Family Education Loan Program that currently apply to loans made on or after July 1, 1998. The following summary of the Federal Family Education Loan Program as established by the Higher Education Act does not purport to be comprehensive or definitive and is qualified in its entirety by reference to the text of the Higher Education Act and the regulations thereunder.

Federal Family Education Loans

Several types of loans are currently authorized as Federal Family Education Loans pursuant to the Federal Family Education Loan Program. These include: (i) loans to students meeting certain financial needs tests with respect to which the federal government makes interest payments available to reduce student interest cost during periods of enrollment ("Subsidized Stafford Loans"); (ii) loans to students made without regard to financial need with respect to which the federal government does not make such interest payments ("Unsubsidized Stafford Loans" and, collectively with Subsidized Stafford Loans, "Stafford Loans"); (iii) loans to parents of dependent students ("PLUS Loans"); and (iv) loans available to borrowers with certain existing federal educational loans to consolidate repayment of such loans ("Consolidation Loans").

Subsidized Stafford Loans

The Higher Education Act provides for federal (i) insurance or reinsurance of eligible Subsidized Stafford Loans, (ii) interest subsidy payments to eligible lenders with respect to certain eligible Subsidized Stafford Loans, and (iii) SAP representing an additional subsidy paid by the Secretary to such holders of eligible Subsidized Stafford Loans.

As a result of the 2005 HEA Amendments, graduate or professional students will be eligible for PLUS Loans beginning July 1, 2006.

Subsidized Stafford Loans are eligible for reinsurance under the Higher Education Act if the eligible student to whom the loan is made has been accepted or is enrolled in good standing on at least a half-time basis at an eligible institution of higher education or vocational school. In connection with eligible Subsidized Stafford Loans there are limits as to the maximum amount which may be borrowed for an academic year and in the aggregate for both undergraduate and graduate/professional study. The Secretary has discretion to raise these limits to accommodate students undertaking specialized training requiring exceptionally high costs of education.

Subject to these limits, Subsidized Stafford Loans are available to borrowers in amounts not exceeding their unmet need for financing as provided in the Higher Education Act. Provisions addressing the implementation of need analysis and the relationship between unmet need for financing and the availability of Subsidized Stafford Loan Program funding have been the subject of frequent and extensive amendment in recent years. There can be no assurance that further amendment to such provisions will not materially affect the availability of Subsidized Stafford Loan funding to borrowers or the availability of Subsidized Stafford Loans for secondary market acquisition.

Qualified Students and Institutions. Generally, a loan may be made only to a United States citizen or national or otherwise eligible individual under federal regulations who (i) has been accepted for enrollment or is enrolled and is maintaining satisfactory progress at an eligible institution, (ii) is carrying at least one-half of the normal full-time academic workload for the course of study the student is pursuing, as determined by such institution, (iii) has agreed to notify promptly the holders of the loan of any address change, and (iv) meets the applicable "need" requirements. Eligible institutions include higher educational institutions and vocational schools that comply with certain federal regulations. With certain exceptions, an institution with a cohort (composite) default rate that is higher than certain thresholds specified in the Higher Education Act is not an eligible institution.

Unsubsidized Stafford Loans

Unsubsidized Stafford Loans are available for students who do not qualify for Subsidized Stafford Loans after the need analysis methodology due to parental and/or student income or assets in excess of permitted amounts. Such students are entitled to borrow the difference between the Stafford Loan maximum amount and their Subsidized Stafford eligibility. In other respects, the general requirements for Unsubsidized Stafford Loans are essentially the same as those for Subsidized Stafford Loans. The interest rate, the annual loan limits, the loan fee requirements and the SAP provisions of the Unsubsidized Stafford Loans are the same as the Subsidized Stafford Loans. However, the terms of the Unsubsidized Stafford Loans differ materially from Subsidized Stafford Loans in that the Secretary does not make interest subsidy payments and the loan limitations are determined without respect to the expected family contribution. The borrower is required to pay interest from the time such loan is disbursed or capitalize the interest until repayment begins.

PLUS Loan Program

The Higher Education Act authorizes PLUS Loans to be made to parents of eligible dependent undergraduate students. Only parents who do not have an adverse credit history or, if permitted by the lender, have an endorser who does not have an adverse credit history, are eligible for PLUS Loans. The basic provisions applicable to PLUS Loans are similar to those of Stafford Loans with respect to the involvement of Guarantee Agencies and the Secretary in providing federal reinsurance on the loans. However, PLUS Loans differ significantly from Subsidized Stafford Loans, particularly because federal interest subsidy payments are not available under the PLUS Program and SAP are more restricted. The 2005 HEA Amendments authorized PLUS Loans for graduate and professional students.

The FFELP Consolidation Loan Program

The Higher Education Act authorizes a program under which certain borrowers may consolidate their various FFELP Loans into a single loan insured and reinsured on a basis similar to Subsidized Stafford Loans. Consolidation Loans may be made in an amount sufficient to pay outstanding principal, unpaid interest and late charges on certain federally insured or reinsured FFELP Loans (other than PLUS Loans made to "parent borrowers") selected by the borrower, as well as loans made pursuant to the Perkins Loan Program (formerly "National Direct Student Loan"), loans made pursuant to the Health Professional Student Loan Program, Health Education Assistance Loans, Nursing Student Loans, and loans made pursuant to the William D. Ford Federal Direct Loan Program (the "Direct Loan Program"). The

borrowers may be either in repayment status or in a grace period preceding repayment. Delinquent or defaulted borrowers are eligible to obtain Consolidation Loans if they have made satisfactory repayment arrangements with the holders of the defaulted loan or agreed to repay the Consolidation Loan under an income-sensitive repayment schedule. Borrowers may add additional loans to a Consolidation Loan during the 180-day period following origination of the Consolidation Loan. A Consolidation Loan will be federally insured or reinsured only if such loan is made in compliance with requirements of the Higher Education Act. Commencing July 1, 2006, borrowers who do not also have a Direct Loan may apply for a Direct Consolidation Loan only if a FFELP Loan consolidation lender denies the borrower's FFELP Consolidation Loan application or denies an application for a consolidation loan requesting income-sensitive repayment terms, or if the borrower has defaulted and the consolidation loan will resolve the default.

If a borrower is unable to obtain a Consolidation Loan with income sensitive repayment terms acceptable to the borrower from the holders of the borrower's outstanding loans (that are selected for consolidation), or from any other eligible lender, the Higher Education Act authorizes the Secretary to offer the borrower a Direct Consolidation Loan with income contingent terms under the Direct Loan Program. Such Direct Consolidation Loans shall be repaid either pursuant to income contingent repayment or any other repayment provision under the authorizing section of the Higher Education Act.

Interest Rates

Subsidized Stafford Loans and Unsubsidized Stafford Loans disbursed on or after October 1, 1998 and prior to July 1, 2006 which are in-school, grace and deferment periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 1.7 percent, with a maximum rate of 8.25 percent. Subsidized Stafford Loans and Unsubsidized Stafford Loans in all other periods bear interest at a rate equivalent to the 91-day T-Bill rate plus 2.3 percent, with a maximum rate of 8.25 percent. The rate is adjusted annually on July 1. PLUS Loans bear interest at a rate equivalent to the 91-day T-Bill rate plus 3.1 percent, with a maximum rate of 9 percent. Consolidation Loans for which the application was received by an eligible lender on or after October 1, 1998 and prior to July 1, 2006, bear interest at a rate equal to the weighted average of the loans consolidated, rounded to the nearest higher one-eighth of one percent, with a maximum rate of 8.25 percent.

All Subsidized Stafford Loans and Unsubsidized Stafford Loans first disbursed on or after July 1, 2006 will bear interest at the fixed rate of 6.8%. Similarly, PLUS loans first disbursed on or after July 1, 2006 will bear interest at the fixed rate of 8.5%. Finally, Consolidation Loans made as a result of applications received on or after July 1, 2006 will bear interest at a rate equal to the lesser of (i) the weighted average of the interest rates on the loans consolidated, rounded to the nearest higher one-eighth of 1%, or (ii) 8.25%.

Loan Limits

A Stafford Loan borrower may receive a subsidized loan, an unsubsidized loan, or a combination of both for an academic period. Generally, the maximum amount of a Stafford Loan for an academic year cannot exceed \$2,625 (\$3,500 commencing July 1, 2007) for the first year of undergraduate study, \$3,500 (\$4,500 commencing July 1, 2007) for the second year of undergraduate study and \$5,500 per year for the third, fourth and fifth years of undergraduate study. The aggregate limit of Stafford Loans for undergraduate study is \$23,000 (excluding PLUS Loans). Independent undergraduate students may receive an additional Unsubsidized Stafford Loan of up to \$4,000 for the first and second years of study, and up to \$5,000 for the third, fourth and fifth years of study, with an aggregate maximum of \$46,000, with Subsidized Stafford Loans comprising no more than \$23,000 of the total limit. The maximum amount of the loans for an academic year for graduate students is \$8,500, and independent students may borrow an additional Unsubsidized Stafford Loan up to \$10,000 (\$12,000 commencing July 1, 2007) per academic year. The aggregate unpaid principal amount of such loans of the borrowers may not exceed \$138,500 with Subsidized Stafford Loans comprising no more than \$65,500 of the total limit. The Secretary has discretion to raise these limits by regulation to accommodate highly specialized or exceptionally expensive courses of study.

The total amount of all PLUS Loans that (i) parents may borrow on behalf of each dependent student or (ii) graduate or professional students may borrow for any academic year may not exceed the student's cost of attendance minus other estimated financial assistance for that student.

Repayment

Repayment of principal on a Stafford Loan does not commence while a borrower remains a qualified student, but generally begins not more than six months after the borrower ceases to pursue at least a half-time course of study (the six month period is the "Grace Period"). Grace Periods may be waived by borrowers and borrowers requesting FFELP consolidation prior to the end of the grace period forfeit any time remaining in their grace period. Except for certain borrowers described below in general, each such loan must be scheduled for repayment over a period of not less than five or more than 10 years (excluding any "deferment period" or "forbearance period" as defined by the Higher Education Act) after the commencement of repayment. Repayment of interest on an Unsubsidized Stafford Loan begins immediately upon disbursement of the loan, however the lender may capitalize the interest until repayment of principal is scheduled to begin. An extended repayment plan, not to exceed 25 years, is also available to new borrowers of loans disbursed on or after July 1, 1998 with loans totaling more than \$30,000. Once a repayment plan is established, the borrower may annually change the selection of the plan. Student borrowers are entitled to accelerate, without penalty, the repayment of all or any part of a guaranteed student loan.

The Higher Education Act currently requires minimum annual payments of \$600, including principal and interest (but in no event less than the accrued interest), unless the borrower and the lender agree to lesser payments; in instances in which a borrower and spouse both have such loans outstanding, the total combined payments for such a couple may not be less than \$600 per year. Regulations of the Secretary require lenders to offer standard, graduated or income-sensitive repayment schedules to borrowers. Use of income-sensitive repayment plans may extend the ten-year maximum term for up to five years.

PLUS Loans enter repayment on the date the last disbursement is made on the loan. Interest accrues and is due and payable from the date of the first disbursement of the loan. The first payment is due within 60 days after the loan is fully disbursed. Repayment plans are the same as in the Subsidized and Unsubsidized Stafford Loan Program.

Consolidation Loans enter repayment on the date the loan is disbursed. The first payment is due within 60 days after that date. Consolidation Loans must be repaid during a period agreed to by the borrower and lender, subject to maximum repayment periods which vary depending upon the principal amount of the borrower's outstanding FFELP Loans (but no longer than 30 years).

Deferment and Forbearance Periods

During certain periods and subject to certain conditions prescribed by the Higher Education Act, no principal repayments need to be made during certain periods prescribed by the Higher Education Act ("Deferment Periods") but interest accrues and must be paid. Generally, Deferment Periods include periods (a) when the borrower has returned to an eligible educational institution on at least half-time basis or is pursuing studies pursuant to an approved graduate fellowship or rehabilitation training program, (b) not exceeding three years while the borrower is seeking and unable to find full-time employment, (c) not in excess of three years while the borrower is in certain qualifying military service, and (d) not in excess of three years for any reason which the lender determines, in accordance with regulations, has caused or will cause the borrower economic hardship. Deferment Periods extend the maximum repayment periods. Under certain circumstances, a lender may also allow periods of forbearance ("Forbearance") during which the borrower may defer payments because of temporary financial hardships. The Higher Education Act specifies certain periods during which forbearance is mandatory. Mandatory forbearance periods exist when the borrower is impacted by a national emergency or by military mobilization or when the geographical area in which the borrower resides or works is declared a disaster area by certain officials. Other mandatory periods include periods during which the borrower is (a) participating in a medical or dental residency and is not eligible for deferment; (b) serving in a qualified medical or dental internship program or certain national service programs; or (c) determined to have a debt burden of certain federal loans equal to or exceeding 20% of the borrower's gross income. In other circumstances, forbearance may be granted at the lender's option. Forbearance also extends the maximum repayment periods.

Interest Subsidy Payments

The Secretary is to pay interest on Subsidized Stafford Loans while the borrower is a qualified student, during a Grace Period or during certain Deferment Periods. In addition, those portions of Consolidation Loans that repay Subsidized Stafford Loans or similar subsidized loans made under the Direct Loan Program are eligible for interest

subsidy payments. The Secretary is required to make interest subsidy payments to the holders of Subsidized Stafford Loans in the amount of interest accruing on the unpaid balance thereof prior to the commencement of repayment or during any Deferment Period. The Higher Education Act provides that the holder of an eligible Subsidized Stafford Loan, or the eligible portions of Consolidation Loans, shall be deemed to have a contractual right against the United States to receive interest subsidy payments from the Secretary (including the right to receive interest or interest subsidy payments not timely paid) in accordance with its provisions.

Special Allowance Payments

The Higher Education Act provides for Special Allowance Payments ("SAP") to be made by the Secretary to eligible lenders. The rates for SAP are based on formulae that differ according to the type of loan, the date the loan was first disbursed, the interest rate and the type of funds used to finance such loan (tax-exempt or taxable). Certain loans made or purchased with funds obtained by the holder from the issuance of tax-exempt obligations issued prior to October 1, 1993 have an effective minimum rate of return of 9.5%. The SAP payable with respect to FFELP Loans acquired or funded with the proceeds of tax-exempt obligations issued after September 30, 1993 are equal to those paid to other lenders. (The Higher Education Act has been subject to frequent amendments which could impact SAP.)

Subject to the foregoing, the formulae for SAP rates for Subsidized Stafford Loans and Unsubsidized Stafford Loans are summarized in the following chart. The term "T-Bill" as used in this table and the following table, means the average 91-day Treasury bill rate calculated as a "bond equivalent rate" in the manner applied by the Secretary as referred to in Section 438 of the Higher Education Act. The term "3-Month Commercial Paper Rate" means the 90-day commercial paper index calculated quarterly and based on an average of the daily 90-day commercial paper rates reported in the Federal Reserve's Statistical Release H-15. As a general matter, the amount of the SAP with respect to any loan is the difference between interest on such loan at its stated rate of interest and the SAP rate applicable to such loan (assuming that the former is greater than the latter).

<u>Date of Loans</u>	<u>Annualized Special Allowance Payments Rate</u>
On or after October 1, 1992 to June 30, 1995	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after July 1, 1995 to June 30, 1998	T-Bill Rate less Applicable Interest Rate + 3.1% ⁽¹⁾
On or after July 1, 1998 to December 31, 1999	T-Bill Rate less Applicable Interest Rate + 2.8% ⁽²⁾
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.34% ⁽³⁾

(1) Substitute 2.5% in this formula while such loans are in the in-school or grace period.
 (2) Substitute 2.2% in this formula while such loans are in the in-school or grace period.
 (3) Substitute 1.74% in this formula while such loans are in the in-school or grace period.

The formulae for SAP rates for PLUS and Consolidation Loans are as follows:

<u>Date of Loans</u>	<u>Annualized Special Allowance Payments Rate</u>
On or after October 1, 1992 to December 31, 1999	T-Bill Rate less Applicable Interest Rate + 3.1%
On or after January 1, 2000	3-Month Commercial Paper Rate less Applicable Interest Rate + 2.64%

SAP are generally payable, with respect to variable rate FFELP Loans to which a maximum borrower interest rate applies, only when the maximum borrower interest rate is in effect. The Secretary offsets Interest Subsidy Payments and SAP by the amount of Origination Fees and Lender Loan Fees described below in "- FFELP Loan Fees."

Under the 2005 HEA Amendments, for certain loans first disbursed on or after April 1, 2006, if the interest on such loan at the stated interest rate is higher than the SAP rate applicable to such loan, the holder of the loan is to credit the difference to the United States Government at least annually.

The Higher Education Act provides that a holder of a qualifying loan who is entitled to receive SAP has a contractual right against the United States to receive those payments during the life of the loan. Receipt of SAP, however, is conditioned on the eligibility of the loan for federal insurance or reinsurance benefits. Such eligibility may be lost due to violations of federal regulations or Guarantee Agency requirements.

For PLUS Loans first disbursed on or after July 1, 2006, SAP will only be made when the 3-month Commercial Paper Rate plus 2.64% exceeds 9%.

FFELP Loan Fees

Insurance Fee/Federal Default Fee. For FFELP Loans guaranteed prior to July 1, 2006, a Guarantee Agency is authorized to charge a premium, or guarantee fee, of up to 1% of the principal amount of the loan, which may be deducted proportionately from each installment of the loan. Effective for loans for which the date of guarantee of principal is on or after July 1, 2006, the optional 1% fee is eliminated and a Federal default fee of 1% of the principal amount of the loan must be charged.

Origination Fee. The lender is required to pay to the Secretary an origination fee equal to a certain percentage, based on the date of the loan, of the principal amount of each Subsidized and Unsubsidized Stafford and PLUS Loan. The lender may charge these fees to the borrower by deducting them proportionately from each disbursement of the loan proceeds. The origination fee for PLUS Loans is 3% and the origination fees for Subsidized and Unsubsidized Stafford Loans is as follows:

<u>Fee</u>	<u>Loans disbursed on or after and before</u>
3.0%	Before July 1, 2006
2.0	July 1, 2006 to July 1, 2007
1.5	July 1, 2007 to July 1, 2008
1.0	July 1, 2008 to July 1, 2009
0.5	July 1, 2009 to July 1, 2010
0.0	on or after July 1, 2010

Lender Loan Fee. The lender of a FFELP Loan is required to pay to the Secretary an additional origination fee equal to 0.5% of the principal amount of the loan. The Secretary collects from the lender or subsequent holder the maximum origination fee authorized (regardless of whether the lender actually charges the borrower) and the lender loan fee, either through reductions in Interest Subsidy or SAP or directly from the lender or holder.

Rebate Fee on Consolidation Loans. The holder of any Consolidation Loan is required to pay to the Secretary a monthly fee equal to .0875% (1.05% per annum) of the principal amount of, plus accrued interest on, the loan.

INSURANCE AND GUARANTEES

A Federal Family Education Loan is considered to be in default for purposes of the Higher Education Act when the borrower fails to make an installment payment when due, or to comply with other terms of the loan, and if the failure persists for 270 days in the case of a loan repayable in monthly installments or for 330 days in the case of a loan repayable in less frequent installments.

If the loan in default is covered by federal loan insurance in accordance with the provisions of the Higher Education Act, the Secretary is to pay the holder the amount of the loss sustained thereby, upon notice and determination of such amount, within 90 days of such notification. If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the guarantor is to pay the holder a percentage of such amount of the loss subject to reduction as described in the following paragraphs within 90 days of such notification.

Federal Insurance

The Higher Education Act provides that, subject to compliance with such Act, the full faith and credit of the United States is pledged to the payment of insurance claims and ensures that such reimbursements are not subject to reduction. In addition, the Higher Education Act provides that if a guarantor is unable to meet its insurance obligations, holders of loans may submit insurance claims directly to the Secretary until such time as the obligations are transferred to a new guarantor capable of meeting such obligations or until a successor guarantor assumes such obligations. Federal reimbursement and insurance payments for defaulted loans are paid from the Student Loan Insurance Fund established under the Higher Education Act. The Secretary is authorized, to the extent provided in advance by appropriations acts, to issue obligations to the Secretary of the Treasury to provide funds to make such federal payments.

Guarantees

If the loan is guaranteed by a guarantor in accordance with the provisions of the Higher Education Act, the eligible lender is reimbursed by the guarantor for a statutorily-set percentage (98% prior to July 1, 2006, and 97% for loans first disbursed on or after July 1, 2006) of the unpaid principal balance of the loan plus accrued unpaid interest on any loan defaulted so long as the eligible lender has properly serviced such loan; provided, however, if the servicer which services such loan has been designated as an "Exceptional Performer" by the Secretary, the eligible lender is reimbursed by the guarantor for 100% (reduced to 99% by the 2005 HEA Amendments) of the unpaid principal balance of the defaulted loans plus accrued unpaid interest. Under the Higher Education Act, the Secretary enters into a guarantee agreement and an annually renewable supplemental guarantee agreement (the "Guarantee Agreements") with each guarantor which provide for federal reimbursement for amounts paid to eligible lenders by the guarantor with respect to defaulted loans.

Guarantee Agreements. Pursuant to the Guarantee Agreements, the Secretary is to reimburse a guarantor for a statutorily-set percentage of the amounts expended in connection with a claim resulting from the death, bankruptcy or total and permanent disability of a borrower, the death of a student whose parent is the borrower of a PLUS Loan, or claims by borrowers who are unable to complete the programs in which they are enrolled due to school closure or borrowers whose borrowing eligibility was falsely certified by the eligible institution. Such claims are not included in calculating a guarantor's claims rate experience for federal reimbursement purposes. Generally, education loans are non-dischargeable in bankruptcy unless the bankruptcy court determines that the debt will impose an undue hardship on the borrower and the borrower's dependents. Further, the Secretary is to reimburse a guarantor for any amounts paid to satisfy claims not resulting from death, bankruptcy, or disability subject to reduction as described below.

The Secretary may terminate Guarantee Agreements if the Secretary determines that termination is necessary to protect the federal financial interest or to ensure the continued availability of loans to student or parent borrowers. Upon termination of such agreements, the Secretary is authorized to provide the guarantor with additional advance funds with such restrictions on the use of such funds as is determined appropriate by the Secretary, in order to meet the immediate cash needs of the guarantor, ensure the uninterrupted payment of claims, or ensure that the guarantor will make loans as the lender-of-last-resort.

If the Secretary has terminated or is seeking to terminate Guarantee Agreements, or has assumed a guarantor's functions, notwithstanding any other provision of law: (i) no state court may issue an order affecting the Secretary's actions with respect to that guarantor; (ii) any contract entered into by the guarantor with respect to the administration of the guarantor's reserve funds or assets acquired with reserve funds shall provide that the contract is terminable by the Secretary upon 30 days notice to the contracting parties if the Secretary determines that such contract includes an impermissible transfer of funds or assets or is inconsistent with the terms or purposes of the Higher Education Act; and (iii) no provision of state law shall apply to the actions of the Secretary in terminating the operations of the guarantor. Finally, notwithstanding any other provision of law, the Secretary's liability for any outstanding liabilities of a guarantor (other than outstanding student loan guarantees under the Higher Education Act), the functions of which the Secretary has assumed, shall not exceed the fair market value of the reserves of the guarantor, minus any necessary liquidation or other administrative costs.

Reimbursement. The amount of a reimbursement payment made by the Secretary to a guarantor is subject to reduction based upon the annual claims rate of the guarantor. The annual claims rate of a guarantor is equal to the amount of reimbursement payments made by the Secretary to the guarantor during the previous fiscal year expressed as

a percentage of all FFELP Loans guaranteed by that guarantor and in repayment as of the last day of such preceding fiscal year. The claims experience is not accumulated from year to year, but is determined solely on the basis of claims in any one federal fiscal year compared with the original principal amount of loans in repayment at the beginning of that year.

The formula for reimbursement amounts is summarized in the table below:

CLAIMS RATE	GUARANTOR REIMBURSEMENT RATE FOR LOANS MADE PRIOR TO OCTOBER 1, 1993	GUARANTOR REIMBURSEMENT RATE FOR LOANS MADE BETWEEN OCTOBER 1, 1993 AND SEPTEMBER 30, 1998*	GUARANTOR REIMBURSEMENT RATE FOR LOANS MADE ON OR AFTER OCTOBER 1, 1998*
0% up to 5%	100%	98%	95%
5% up to 9%	100% of claims up to 5%; and 90% of claims 5% and over	98% of claims up to 5%; and 88% of claims 5% and over	95% of claims up to 5% and 85% of claims 5% and over
9% and over	100% of claims up to 5%; 90% of claims 5% up to 9%; 80% of claims 9% and over	98% of claims up to 5%; 88% of claims 5% up to 9%; 78% of claims 9% and over	95% of claims up to 5%, 85% of claims 5% up to 9%; 75% of claims 9% and over

* Other than student loans made pursuant to the lender-of-last-resort program or student loans transferred by an insolvent guarantor as to which the amount of reinsurance is equal to 100%.

The original principal amount of loans guaranteed by a guarantor which are in repayment for purposes of computing reimbursement payments to a guarantor means the original principal amount of all loans guaranteed by a guarantor less: (i) guarantee payments on such loans, (ii) the original principal amount of such loans that have been fully repaid, and (iii) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a guarantor makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. A supplemental guarantee agreement is subject to annual renegotiation and to termination for cause by the Secretary.

Under the Guarantee Agreements, if a payment on a FFELP Loan guaranteed by a guarantor is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment. Guarantor retentions after payment of the Secretary's equitable share on such collections on consolidations of defaulted loans were reduced to 18.5% from 27% effective July 1, 1997 and for other loans were reduced from 27% to 24% (23% effective October 1, 2003).

The Higher Education Act provides that on or after October 1, 2006, a guarantor may not charge a borrower collection costs in an amount in excess of 18.5% of the outstanding principal and interest of a defaulted loan that is paid off through consolidation by the borrower, provided that the guarantor must remit to the Secretary a portion of the collection charge equal to 8.5% of the outstanding principal and interest of the defaulted loan. In addition, on or after October 1, 2009, a guarantor must remit to the Secretary any collection fees on defaulted loans paid off through consolidation by the borrower in excess of 45% of the guarantor's total collections on default loans in any one federal fiscal year.

Lender Agreements. Pursuant to most typical agreements for guarantee between a guarantor and the originator of the loan, any eligible holder of a loan insured by such a guarantor is entitled to reimbursement from such guarantor of any proven loss incurred by the holder of the loan resulting from default, death, permanent and total disability or bankruptcy of the student borrower at the rate of 98% of such loss subject to certain limitations and exceptions (97% for loans in default made on or after July 1, 2006). Guarantors generally deem default to mean a student borrower's failure to make an installment payment when due or to comply with other terms of a note or agreement under circumstances in which the holder of the loan may reasonably conclude that the student borrower no longer intends to honor the repayment obligation and for which the failure persists for 270 days in the case of a loan payable in monthly installments or for 330

days in the case of a loan payable in less frequent installments. When a loan becomes at least 60 days past due, the holder is required to request default aversion assistance from the applicable guarantor in order to attempt to cure the delinquency. When a loan becomes 240 days past due, the holder is required to make a final demand for payment of the loan by the borrower. The holder is required to continue collection efforts until the loan is 270 days past due. At the time of payment of insurance benefits, the holder must assign to the applicable guarantor all rights accruing to the holder under the note evidencing the loan. The Higher Education Act prohibits a guarantor from filing a claim for reimbursement with respect to losses prior to 270 days after the loan becomes delinquent with respect to any installment thereon.

Any holder of a loan is required to exercise due care and diligence in the servicing of the loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a guarantor has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the guarantor may take reasonable action including withholding payments or requiring reimbursement of funds. The guarantor may also terminate the agreement for cause upon notice and hearing.

Guarantor Reserves. Each guarantor is required to establish a Federal Student Loan Reserve Fund (the "Federal Fund") which, together with any earnings thereon, are deemed to be property of the United States. Each guarantor is required to deposit into the Federal Fund any reserve funds plus reinsurance payments received from the Secretary, the Secretary's share of default collections, insurance premiums, 70% of payments received as administrative cost allowance and other receipts as specified in regulations. A guarantor is authorized to transfer up to 180 days of cash expenses for normal operating expenses (other than claim payments) from the Federal Fund to the Operating Fund (described below) at any time during the first three years after establishment of the fund. The Federal Fund may be used to pay lender claims and to pay default aversion fees into the Operating Fund. A guarantor is also required to establish an operating fund (the "Operating Fund") which, except for funds transferred from the Federal Fund, is the property of the guarantor. A guarantor may deposit into the Operating Fund loan processing and issuance fees equal to 0.40% of the total principal amount of loans insured during the fiscal year, 30% of payments received after October 7, 1998 for the administrative cost allowance for loans insured prior to that date and the 23% retention of collections on defaulted loans and other receipts as specified in regulations. An Operating Fund must be used for application processing, loan disbursement, enrollment and repayment status management, default aversion, collection activities, compliance monitoring, and other student financial aid related activities. For Subsidized and Unsubsidized Stafford Loans disbursed after July 1, 2006, guarantors must collect and deposit a federal default fee to the Federal Fund equal to 1% of principal of the loan.

The Higher Education Act required the Secretary to recall \$1 billion in federal reserve funds from guarantors on September 1, 2002. Each guarantor was required to transfer its equitable share of the \$1 billion to a restricted account. Each guarantor was to transfer its required share to the restricted account in equal annual installments for each of the five federal fiscal years 1998 through 2002. However, a guarantor with a reserve ratio equal to or less than 1.1% as of September 30, 1996 may transfer its required share to the restricted account in four equal annual installments beginning in federal fiscal year 1999. The guarantor's required reserve ratio has been reduced from 1.1% to .25%.

The Higher Education Act provides for an additional recall of reserves from each Federal Fund, but also provides for certain minimum reserve levels which are protected from recall. The Secretary is authorized to enter into voluntary, flexible agreements with guarantors under which various statutory and regulatory provisions can be waived. In addition, under the Higher Education Act, the Secretary is prohibited from requiring the return of all of a guarantor's reserve funds unless the Secretary determines that the return of these funds is in the best interest of the operation of the FFELP Loan Program, or to ensure the proper maintenance of such guarantor's funds or assets or the orderly termination of the guarantor's operations and the liquidation of its assets. The Higher Education Act also authorizes the Secretary to direct a guarantor to: (i) return to the Secretary all or a portion of its reserve fund that the Secretary determines is not needed to pay for the guarantor's program expenses and contingent liabilities; and (ii) cease any activities involving the expenditure, use or transfer of the guarantor's reserve funds or assets which the Secretary determines is a misapplication, misuse or improper expenditure. Under current law, the Secretary is also authorized to direct a guarantor to return to the Secretary all or a portion of its reserve fund which the Secretary determines is not needed to pay for the guarantor's program expenses and contingent liabilities.

FFELP LOAN GUARANTOR

Lack of Liability of Eligible FFELP Loan Guarantors

Neither the guarantee funds nor any other assets or revenues of the eligible guarantors, including amounts payable to the eligible guarantor by the Secretary, as described above, are pledged as security for the 2006 Bonds or are available for payment of the 2006 Bonds. However, amounts paid from such assets and revenues by the eligible guarantors to the Corporation in fulfillment of the eligible guarantor's insurance obligations with respect to FFELP Loans are so pledged.

The FFELP Loan Guarantor

Northwest Education Loan Association. NELA was organized as a private, non-profit corporation in November 1978 under the General Corporation Law of the State of Washington. In accordance with its Articles of Incorporation, NELA (i) maintains facilities for the provision of guarantee services with respect to approved education loans made to or for the benefit of eligible students who are enrolled at or plan to attend approved educational institutions, (ii) guarantees education loans made pursuant to the Higher Education Act loan programs, and (iii) serves pursuant to designation as the guaranty agency for the FFELP Loan Programs in Washington and Idaho. Effective December 13, 2004, United Student Aid Funds, Inc. ("USA Funds") became the sole corporate member of NELA.

NELA contracts with Sallie Mae, Inc., a wholly owned subsidiary of SLM Corporation. NELA also contracts with Student Assistance Corporation, a wholly owned subsidiary of SLM Corporation. SLM Corporation and its subsidiaries are not sponsored by nor are they agencies of the United States.

For the purpose of providing loan guarantees under the Higher Education Act, NELA has entered into various agreements with the Secretary (collectively, the "Federal Reinsurance Agreements"). Pursuant to the Federal Reinsurance Agreements, NELA serves as a "Guaranty Agency" as defined in Section 435(j) of the Higher Education Act. Under the terms of the Federal Reinsurance Agreements, reinsurance is paid to NELA by the Secretary in accordance with a formula based on the annual default rate of loans guaranteed by NELA under the Higher Education Act. Under the Higher Education Act, certain reserve funds of a guarantee agency are considered the property of the United States and recalls of reserves may occur.

As of September 30, 2005, NELA had total assets slightly under \$32 million, including restricted assets of approximately \$18 million. At September 30, 2005, the amount of loans guaranteed by NELA for fiscal year 2005 was approximately \$965 million (including consolidations).

NELA's "claims rate" represents the percentage of default claims (based on dollar value) submitted as reinsurance claims to the Department of Education relative to its existing portfolio of loans in repayment at the start of the federal fiscal year. Past claims rates were as follows:

<u>Year</u>	<u>Past "Claim Rates"</u>
2001	1.55%
2002	2.00
2003	1.44
2004	1.08
2005	1.62

NELA will provide a copy of its most recent annual report upon receipt of a written request directed to its headquarters at 190 Queen Anne Ave. N., Suite 300, Seattle, WA 98109, Attention: Executive Director.

Reimbursement

The original principal amount of loans guaranteed by a guaranty agency which are in repayment for purposes of computing reimbursement payments to a guaranty agency means the original principal amount of all loans guaranteed by a guaranty agency less: (1) guarantee payments on such loans, (2) the original principal amount of such loans that

have been fully repaid, and (3) the original amount of such loans for which the first principal installment payment has not become due.

In addition, the Secretary may withhold reimbursement payments if a guaranty agency makes a material misrepresentation or fails to comply with the terms of its agreements with the Secretary or applicable federal law. The guaranty agreements are subject to annual renegotiation and to termination for cause by the Secretary. The Corporation has no knowledge as to whether any of the guarantee agreements will be renegotiated or, if renegotiated, whether they will be renegotiated on the same terms or terms different from those that are currently in effect.

Under the guaranty agreements, if a payment on a FFELP Loan guaranteed by a guaranty agency is received after reimbursement by the Secretary, the Secretary is entitled to receive an equitable share of the payment.

The Corporation (or any other holder of a Loan) is required to exercise due care and diligence in the servicing of the Loan and to utilize practices which are at least as extensive and forceful as those utilized by financial institutions in the collection of other consumer loans. If a guaranty agency has probable cause to believe that the holder has made misrepresentations or failed to comply with the terms of its agreement for guarantee, the guaranty agency may take reasonable action including withholding payments or requiring reimbursement of funds. Prior to the end of the initial term (or any renewal period), termination of the agreement by the guarantor would entail notice and the opportunity for a hearing. The guarantor has other interim remedies, including emergency suspension, and the Secretary has independent remedies.

LOAN SERVICING AND COLLECTION

General

The Commission services the Education Loans owned by the Corporation, including all AlaskAdvantage® Loans, except to the extent that certain collection activities are delegated to private contractors. The Education Loan Notes evidencing the Education Loans will be secured in fireproof cabinets maintained at the offices of the Commission, which are also the offices of the Corporation. As described under "THE ALASKA COMMISSION ON POSTSECONDARY EDUCATION/THE ALASKA STUDENT LOAN CORPORATION," the Corporation does not have its own independent staff; the staff of the Commission serves as staff of the Corporation.

The Commission presently uses education loan servicing software from Charter Accounts Systems, Inc. to service the Education Loans. The purchase of the software included the source code, the possession of which enables the Commission programming staff to enhance reporting capabilities and to service FFELP Loans and Alternative Loans on a single servicing platform.

Servicing of Education Loans

The Commission services the portfolio of Education Loans owned by the Corporation except as otherwise noted above. The Corporation may, in the future, use any other entity or person to service its loans. The Corporation expects that all Education Loans pledged as security for payment of the Bonds will be serviced by the Commission or another servicer. The servicer will maintain custody of the Education Loans pursuant to a Custody Agreement with the Corporation and the State.

The Higher Education Act requires the exercise of due diligence in the collection of FFELP Loans. The Higher Education Act defines due diligence as requiring the use of collection practices at least as extensive and forceful as those generally practiced by financial institutions for the servicing and collection of consumer loans. See, "INSURANCE AND GUARANTEES - Federal Insurance-Lender Agreements." The Higher Education Act also requires the exercise of reasonable care and diligence in the making and collection of FFELP Loans, and provides that the Secretary may disqualify an "eligible lender" (which could include the Corporation or the Trustee as a holder of FFELP Loans) from further federal insurance if the Secretary is not satisfied that the foregoing standards have been, or will be, met. An eligible lender may not relieve itself of its responsibility for meeting these standards by delegation of its responsibility to any servicing agent and, accordingly, if the servicer fails to meet such standards, the Corporation's ability to realize the benefits of insurance may be adversely affected.

The Higher Education Act requires that a guaranty agency, such as NELA, ensure that due diligence will be exercised by an eligible lender in making and collecting FFELP Loans guaranteed by such guaranty agency and in collecting loans which it holds. The Commission and other servicers of the FFELP Loans owned by the Corporation have established procedures and standards for due diligence to be exercised. If the Commission or any other such servicer does not comply with the established due diligence standards, the Corporation's ability to realize the benefits of any guaranty may be adversely affected. NELA is obligated under its disbursement agreement with the Commission to exercise due diligence and to ensure that its subcontractors exercise due diligence within the meaning of the Higher Education Act.

Collection

The Commission has authority to facilitate collection on accounts, with respect to Alternative Loans, that are at least one hundred eighty days 180 past due without the need to secure a judgment issued by a court using various administrative collection tools including wage garnishment in Alaska, withholding the renewal of an Alaska occupational license, seizure of the State of Alaska Permanent Fund Dividend, and issuing a lien against real property.

The Alaska State Permanent Fund (the "Permanent Fund") is a fund held and managed by the State, which was established by an amendment to the Alaska Constitution in 1976. A percentage of the State's oil and gas royalties is deposited each year into the Permanent Fund. Currently, a portion of the Permanent Fund's earnings is paid annually to qualifying State residents who apply for it (the "Permanent Fund Dividend"). The Commission may seize a borrower's Permanent Fund Dividend, if any, to satisfy the balance of a defaulted Education Loan. There can be no assurance that the Permanent Fund Dividend program will continue. The Permanent Fund Dividend can be eliminated or reduced by an amendment to the Alaska Constitution, Alaska Statutes or by failure of the Legislature to appropriate the amount produced by the statutory formula.

The Commission also uses collection agencies to provide debt collection on certain accounts that are at least two hundred and seventy 270 days past due. The contracts with collection agencies are contingency fee based, covering the cost of pursuing collection of defaulted loans, including additional skip tracing, legal fees, and judgment enforcement.

LOAN ORIGINATION

General

Following is a general summary of the chronology of an Alternative Loan and a FFELP Loan. While in most situations borrowers do not follow exactly the same flow of events from the inception of their loan to the last payment of their loan, and in certain cases there are nonconformities with regular procedure, this summary does provide a general description of the material events in the life of the Alternative Loan and FFELP Loan.

Alternative Loans

Loan Application and Payment. After an application for an Alternative Loan is received it is reviewed for completeness, and a review of the applicant's credit history, compliance with any outstanding child support enforcement obligation, and compliance with applicable selective service registration requirements is performed. If the applicant does not have an adverse credit history, is in compliance with any outstanding child support enforcement obligation, and is compliant with applicable selective service requirements the Alternative Loan is approved. Once approved, the borrower is sent notification of the award and disbursements are sent to the school. Following the borrower's last date of attendance, and after a grace period, repayment commences.

Loan Repayment. Provided the borrower continues to make scheduled monthly payments, the borrower receives a monthly bill from the Commission and remains in the repayment cycle until the Alternative Loan is paid in full. At that time, a "paid in full" letter and the cancelled promissory note is sent to the borrower.

Activity Prior to Default. When a borrower fails to make a payment when due, the borrower's next billing statement contains text reminding the borrower that the payment is delinquent. The past due status is reflected in each subsequent monthly billing until the Alternative Loan is brought current. If the loan was made with a co-signer, the due diligence notices will also be sent to the co-signer. The co-signer's obligation to repay the Alternative Loan begins when

the borrower's obligation begins and continues even if the borrower's obligation to repay the Alternative Loan is discharged or canceled before the Alternative Loan, including interest, is paid in full. In addition, during the time that the scheduled payment is between thirty (30) and one hundred eighty (180) days past due, due diligence staff make attempts, by telephone and regular mail, to contact the borrower and co-signer in each 30-day period. If both the borrower and co-signer fail to respond to the contact or fail to bring the account current, or if the borrower or the co-signer make arrangements to bring the account current but fail to keep the arrangement, the Alternative Loan will be manually reviewed by staff. If the following criteria are met, the Alternative Loan is transferred to a collection agency for further collection action: (i) the Alternative Loan is at least two hundred seventy (270)¹ days past due; (ii) neither the borrower nor the co-signer has contacted the Commission to make alternate payment arrangements (or the borrower or co-signer has made alternate payment arrangements but has not kept the arrangement); (iii) the Commission has exhausted all administrative measures for collection; and (iv) the borrower and the co-signer have received all appropriate past due notices including a demand letter.

In addition to staff communications directed to the borrower and the co-signer, due diligence staff also inform the institution which the borrower attended when such borrower's loan becomes sixty (60) days or more past due. Institutional staff then verify or update contact information last known for the borrower (which may include information regarding any known employer) and also may engage in institution-based default management activities. Due diligence staff provide this information to the institutions on a monthly basis through paper rosters and electronic media.

Rehabilitation. The Commission is authorized to establish a rehabilitation loan program for Alternative Loans which are two hundred seventy-one (271), or more, days past due. Such program could allow the borrower to regain eligibility under the Loan Program with an alternative repayment schedule, loan deferment, or loan forbearance. No such program is presently approved by the Commission.

Forbearance. The Commission provides Alternative Loan borrowers with mandatory forbearance options to conform with those offered through the FFELP Loan program. However, any additional forbearance may be granted at the sole discretion of the Commission in cases when, because of temporary hardship, a borrower is willing but unable to pay in accordance with the repayment schedule. Forbearance would not be authorized when the borrower is unwilling to pay. The borrower must request a forbearance and, for a forbearance period of more than six months in length, provide other documentation supporting the request. Upon receipt of a request for forbearance of the principal payment from an eligible borrower, forbearance will be granted for a period of time at the discretion of the Commission, but not to exceed 36 months.

FFELP Loans

Loan Application and Payment. The borrower submits a loan application to the Commission either directly, or through the school or the Guarantor. The Commission then sends the borrower a notification of the award, once the guarantee is secured. Loan disbursements are sent to the school. Following the borrower's last date of attendance, after a grace period of, generally, six months in length, repayment commences.

Loan Repayment. Borrowers are generally billed and make payment on a monthly schedule, and remain in the repayment cycle until the loan is paid in full. At that time, a "paid in full" letter, and the cancelled promissory note, are sent to the borrower.

TAX EXEMPTION

In the opinion of Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C., Anchorage, Alaska, Bond Counsel, based on an analysis of existing laws, regulations, rulings and court decisions and assuming, among other things, compliance with certain covenants, interest on the 2006 Bonds is excluded from gross income for federal income tax purposes. However, interest on the 2006 Bonds is a specific preference item for purposes of the federal individual and corporate alternative minimum taxes.

¹ The Commission may provide a borrower with alternative repayment schedules, loan deferments, and loan forbearance options subsequent to the 180th day of delinquency, but not later than the 270th day of delinquency.

Bond Counsel is also of the opinion based on existing laws of the State as enacted and construed that interest on the 2006 Bonds is excluded from taxation by the State except for inheritance and estate taxes and taxes on transfers by or in contemplation of death and except to the extent that inclusion of said interest in computing the alternative minimum tax under the Internal Revenue Code of 1986, as amended (the "Code") may affect the corresponding provisions of the State income tax.

The Code imposes various restrictions, conditions, and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the 2006 Bonds. The Corporation has covenanted to comply with certain restrictions designed to assure that interest on the 2006 Bonds will not be included in federal gross income. Failure to comply with these covenants may result in interest on the 2006 Bonds being included in federal gross income, possibly from the date of issuance of the 2006 Bonds. The opinion of Bond Counsel assumes compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken) or events occurring (or not occurring) after the date of issuance of the 2006 Bonds may adversely affect the tax status of interest on the 2006 Bonds.

Although Bond Counsel has rendered an opinion that interest on the 2006 Bonds is excluded from gross income for federal income tax purposes, the ownership or disposition of, or the accrual or receipt of interest on, such 2006 Bonds may otherwise affect a Bondholder's federal or state tax liability. The nature and extent of these other tax consequences will depend upon the Bondholder's particular tax status and the Bondholder's other items of income or deduction. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the 2006 Bonds.

A description of the proposed opinion of Bond Counsel is set forth in APPENDIX VI hereto and such opinion is to be delivered with the 2006 Bonds.

Original Issue Premium

The initial public offering price for the 2006A-2 Bonds is greater than the amount payable on such 2006A-2 Bonds at maturity. Bond Counsel expresses no opinion with respect to the treatment of this excess. Investors should seek advice thereon from their own tax advisors.

THE TRUSTEE

The Corporation has appointed U.S. Bank National Association, Seattle, Washington, as successor Trustee for the 2006 Bonds. The Trustee is to carry out such duties as are assigned to it under the Indenture and the Continuing Disclosure Certificate.

The Trustee did not participate in the preparation of this Official Statement and makes no representations concerning the 2006 Bonds, the collateral or any other matter stated in this Official Statement. The Trustee has no duty or obligation to pay the 2006 Bonds from its own funds, assets or corporate capital or to make inquiry regarding, or investigate the use of amounts disbursed from the Trust Estate.

CONTINUING DISCLOSURE

In order to assist the Underwriter in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "Rule"), the Corporation will agree to provide continuing disclosure for the benefit of the registered owners and beneficial owners of the 2006 Bonds, by executing and delivering a certificate for the benefit of the registered owners and beneficial owners of the 2006 Bonds (the "Continuing Disclosure Certificate"). The Corporation will undertake to provide each Nationally Recognized Municipal Securities Information Repository (the "Repository"), and if and when one is established, the Alaska State Information Depository, on an annual basis on or before 215 days after the end of each fiscal year for the Corporation, commencing with the fiscal year ending June 30, 2006, the financial and operating data concerning the Corporation outlined in the Continuing Disclosure Certificate. The annual financial and operating data will include (i) the Corporation's audited financial statements and (ii) information with respect to the Education Loans held pursuant to the Indenture (in a format similar to that provided in this Official Statement under the captions "PLAN OF FINANCE - Characteristics of Education Loans" and "PLAN OF FINANCE - Loan Delinquencies and Defaults"). In addition, the Corporation will undertake for the benefit of the registered owners and beneficial owners

of the 2006 Bonds, to provide to each such Repository or to the Municipal Securities Rulemaking Board, and to the State Information Depository, in a timely manner, the event notices described in the Continuing Disclosure Certificate.

The sole and exclusive remedy for breach or default under the Continuing Disclosure Certificate is an action to compel specific performance of the undertakings of the Corporation, and no person, including a registered owner or beneficial owner of the 2006 Bonds, may recover monetary damages thereunder under any circumstances. A breach or default under the Continuing Disclosure Certificate shall not constitute an Event of Default under the Indenture. In addition, if all or any part of the Rule ceases to be in effect for any reason, then the information required to be provided under the Continuing Disclosure Certificate, insofar as the provision of the Rule no longer in effect required the provision of such information, shall no longer be required to be provided.

The Corporation reserves the right to make all filings pursuant to the terms of the Continuing Disclosure Certificate in accordance with the Securities and Exchange Commission Interpretive Letter dated September 7, 2004, with www.disclosureusa.org.

The Corporation has never failed to comply in any material respect with any previous undertaking with respect to the Rule to provide annual financial information or notices of material events.

ABSENCE OF LITIGATION

There is no controversy or litigation of any nature now pending or threatened restraining or enjoining the issuance, sale, execution or delivery of the 2006 Bonds or in any way contesting or affecting the validity of the 2006 Bonds or any proceedings of the Corporation taken with respect to the issuance or sale thereof or the pledge or application of any moneys or securities provided for the payment of 2006 Bonds or the existence or powers of the Corporation.

FINANCIAL ADVISOR

First Southwest Company, Dallas, Texas, has been retained by the Corporation to serve as financial advisor with respect to the 2006 Bonds. The financial advisor has assisted the Corporation in matters relating to the planning, structuring and issuance of the 2006 Bonds and various other debt-related matters.

LEGALITY

The 2006 Bonds are subject to approval of validity by Wohlforth, Johnson, Brecht, Cartledge & Brooking, P.C., Anchorage, Alaska, Bond Counsel. Certain other legal matters will be passed upon for the Corporation by the State Attorney General. Certain legal matters will be passed upon for the Underwriter by Ballard Spahr Andrews & Ingersoll, LLP, Salt Lake City, Utah.

FINANCIAL STATEMENTS OF THE CORPORATION

The financial statements of the Corporation included in this Official Statement as APPENDIX I have been audited by Elgee Rehfeld Mertz, LLC, Independent Auditors, to the extent and for the periods indicated in their report thereon.

LEGAL INVESTMENT IN ALASKA

The Act provides, subject to any applicable federal requirement or limitation, that the bonds of the Corporation are securities in which public officers and bodies of the State, municipalities, insurance companies, insurance associations, other persons carrying on an insurance business, banks, bankers, trust companies, savings banks, savings associations, building and loan associations, investment companies, other persons carrying on a banking business, administrators, guardians, executors, trustees, other fiduciaries, and other persons who are authorized to invest in bonds or other obligations of the State, may properly and legally invest funds including capital in their control or belonging to them. The Act further states that, notwithstanding any other provisions of law, the bonds of the Corporation are also securities that may be deposited with and may be received by public officers and bodies of the State and municipalities for any purpose for which the deposit of bonds or other obligations of the State is now or may be authorized.

PLEDGE AND AGREEMENT OF THE STATE

In the Act, the State pledges to, and agrees with, registered owners of bonds issued by the Corporation that the State will not limit or alter the rights and powers vested in the Corporation under Alaska Statutes, Sections 14.42.100 through 14.42.990, to fulfill the terms of a contract made by the Corporation with the bondholders or in any way impair the rights and remedies of the bondholders until the bonds, together with the interest on them with interest on unpaid installments of interest, and all costs and expenses in connection with an action or proceeding by or on behalf of the bondholders, are fully met and discharged. In accordance with the Act, the Corporation has included this pledge and agreement of the State in the Indenture.

RATINGS

The 2006 Bonds will be issued as Class I Bonds under the Indenture, and it is expected that the 2006 Bonds will be rated upon issuance "AAA" by Fitch Ratings ("Fitch") and "AAA" by Standard & Poor's, a division of McGraw-Hill Companies, Inc. ("Standard & Poor's"). Under the terms of the Indenture, the Corporation has the ability to change rating agencies at its discretion and no assurance can be given that the Corporation will continue to request ratings of the 2006 Bonds from either of the ratings agencies that originally provided a rating for the 2006 Bonds. The Indenture, however, requires that the 2006 Bonds be rated by at least one nationally recognized rating agency and that one of such rating agencies be either Standard & Poor's or Moody's.

Any explanation of the significance of such ratings by Fitch may be obtained from Fitch at One State Street Plaza, New York, New York 10004, (212) 908-0500, and any explanation of such ratings by Standard & Poor's may be obtained from Standard & Poor's at 55 Water Street, New York, New York 10041, (212) 438-2124. Certain information and materials concerning the 2006 Bonds and the Corporation, some of which have not been included in this Official Statement, were furnished to such rating agencies by the Corporation and others. There is no assurance that any such rating will be maintained for any given period of time or that it will not be revised downward or withdrawn entirely if, in the judgment of the applicable rating agency, circumstances so warrant. Any such downward revision or withdrawal of any such rating may have an adverse effect on the market price or marketability of the applicable 2006 Bonds.

UNDERWRITING

The Underwriter has agreed to purchase the 2006 Bonds at an aggregate price of \$86,710,910, being the par amount thereof plus an original issue premium of \$2,158,660 and less an underwriter's discount of \$447,750. The purchase contracts provide that the Underwriter is not obligated to purchase any 2006 Bonds on their date of issuance unless all such 2006 Bonds are purchased. The initial public offering prices or yields set forth on the cover page hereof may be changed by the Underwriter from time to time without notice. The 2006 Bonds may be offered and sold to certain dealers (including the Underwriter and other dealers depositing such 2006 Bonds into investment trusts) at prices or yields lower than the public offering prices or yields shown on the cover. Although there can be no assurance that any market will commence or be maintained, the Underwriter expects to make a market in the 2006 Bonds after the initial public offering. It is likely that any market that develops will be at prices different from the initial offering prices or yields.

MISCELLANEOUS

All quotations from, and summaries and explanations of, the State, the Act, the Higher Education Act, the Indenture (including supplements thereto) and any other documents and agreements contained herein do not purport to be complete, and reference should be made to said laws, documents and agreements for full and complete statements of their provisions. The Appendices attached hereto are a part of this Official Statement. Copies, in reasonable quantity, of the Indenture and the other documents and agreements described herein may be obtained upon request directed to Alaska Student Loan Corporation, Attn: Executive Officer, P.O. Box 110505, Juneau, Alaska 99811-0505, or to the Trustee, U.S. Bank National Association, 1420 Fifth Avenue, 7th Floor, Seattle, Washington 98101, Attn: Corporate Trust Department.

Any statements in this Official Statement involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Official Statement is not to be construed as a contract or agreement between the Corporation and the purchasers or registered owners of the 2006 Bonds.

EXECUTION OF OFFICIAL STATEMENT

The execution and delivery of this Official Statement has been authorized by the Corporation.

ALASKA STUDENT LOAN CORPORATION

By: /s/ Diane Barrans
Executive Officer

APPENDIX I

Audited Combined Financial Statements of the Corporation - June 30, 2005 and 2004

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Management's Discussion and Analysis and
Financial Statements

June 30, 2005 and 2004

Together with Independent Auditor's Report

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Alaska Student Loan Corporation (Corporation) functions as a lender and as a partner with the Alaska Commission on Postsecondary Education in servicing its education loans. The following is a discussion and analysis of the Corporation's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2005. This discussion and analysis contains other supplementary information in addition to the basic financial statements for the year ended June 30, 2005. Please read it in conjunction with the Corporation's financial statements and the notes to financial statements, which follow this section.

Financial Highlights

- The Corporation's total assets at June 30, 2005 are approximately \$955.5 million, a decrease of \$25.1 million or 2.6% from June 30, 2004.
- The Corporation's long-term debt increased by \$6.4 million during fiscal year 2005, which represents the net difference between new issues and payments of outstanding debt. During the year the Corporation issued bonds in the amount of \$88.3 million.
- The assets of the Corporation exceed its liabilities at the close of the fiscal year by \$168.9 million (reported as net assets), a decrease in net assets of \$82.6 million or 33% over June 30, 2004.
- The Corporation's education loans receivable is \$591.1 million at year-end, an increase of \$13.9 million during the year.
- The Corporation's operating revenue is \$34 million, a decrease of \$4.7 million during the year.
- The Corporation's interest expense was \$22.8 million during the year.
- The Corporation's expenses related to operations was \$10.3 million during fiscal year 2005.

Overview of the Financial Statements

The Corporation is an enterprise fund of the State of Alaska. As such, the Corporation's financial statements are prepared in conformity with accounting principles generally accepted in the United States as applied on an accrual basis. Under the accrual method of accounting, the same method used by private sector businesses, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. The three basic financial statements of the Corporation are as follows:

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Balance Sheets - This statement presents information regarding the Corporation's assets, liabilities and net assets. Net assets represent the total amount of assets less the total of liabilities. The Balance Sheets classify assets, liabilities, and net assets as current, non-current, and restricted.

Statement of Revenues, Expenses, and Changes in Net Assets - This statement presents the Corporation's interest income, costs of funds, operating expenses, and changes in net assets for the fiscal year.

Statement of Cash Flows - This statement presents cash flows from operations, non-capital financing, capital, and investing activities. The Corporation presents its cash flows statement using the direct method of reporting operating cash flows.

Financial Analysis

The following condensed financial information is derived from the Corporation's financial statements and reflects the Corporation's changes during the fiscal year:

	2005	2004	Percentage Change
Assets:			
Current assets	\$ 42,094,245	33,673,030	25%
Restricted assets	913,400,255	946,898,907	(4%)
Total assets	<u>955,494,500</u>	<u>980,571,937</u>	<u>(3%)</u>
Liabilities:			
Current liabilities payable from unrestricted assets	8,840,497	16,863,415	(48%)
Current liabilities payable from restricted assets	198,457,953	173,057,240	15%
Non-current liabilities payable from restricted assets	579,328,180	539,175,590	7%
Total liabilities	<u>786,626,630</u>	<u>729,096,245</u>	<u>8%</u>
Net assets:			
Restricted net assets	135,614,122	234,666,077	(43%)
Unrestricted net assets	33,253,748	16,809,615	98%
Total net assets	<u>\$ 168,867,870</u>	<u>251,475,692</u>	<u>(33%)</u>

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Corporation's education loan revenue bonds to fund loans originated in the 2005-2006 school year will be issued in July 2005, verses the prior year's issuance which was done in June 2004, resulting in a lower investment balance at June 30, 2005 than that of June 30, 2004.

Origination fees in the amount \$6.5 million were used to cover loan losses and as a result the deferred credit account under the current liabilities section is reduced.

The Corporation issued the 2005 State Project Revenue bonds in the amount of \$88.3 million to pay for \$85 million of projects for the State. This payment is a return of capital provided by the State for the creation of the Corporation. Restricted net assets decreased from the prior year as a result of the return of capital payable declared based on the statutory formula. These payments are payable to the State in fiscal year 2006.

The Corporation's 2005 State Project Trust created in the current year required less collateral than expected leaving a higher balance of unrestricted investments for program expenditures than that of the prior year.

	2005	2004	Percentage Change
Operating revenue-loan interest income	\$ 33,996,765	38,657,784	(12%)
Operating expenses	(16,087,910)	(13,821,508)	(16%)
Non-operating expense, net	(12,416,677)	(15,793,363)	21%
Income before return of capital	<u>5,492,178</u>	<u>9,042,913</u>	(39%)
Return of capital	(88,100,000)	(80,600,000)	(9%)
Decrease in net assets	(82,607,822)	(71,557,087)	(15%)
Net assets – beginning	<u>251,475,692</u>	<u>323,032,779</u>	(22%)
Net assets – ending	<u>\$ 168,867,870</u>	<u>251,475,692</u>	(33%)

The Corporation provides interest rate reductions or rebates to borrowers with qualified loans (see AlaskAdvantage[®] Borrower Benefit Program below). Loan interest income decreased as more loans became eligible for benefits offered under the program.

Interest income from investments, which is reported as a non-operating item, increased \$5.9 million from the previous year as a result of higher market interest rates.

The return of capital represents payments to the State of Alaska as allowed for by statute. An annual payment as determined by the Corporation's Board of Directors is based on the amount of the Corporation's income before return of capital payment during the fiscal year ending two years before the end of the fiscal year in which the payment is to be made. Additionally, the Corporation issued bonds in fiscal years 2005 and 2004 to finance projects of the State of Alaska.

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Corporation Activities and Conditions Affecting Financial Position

The Alaska Commission on Postsecondary Education (Commission) administers the Corporation's programs. Operating expenditures of the Commission are subject to budgetary appropriation. The Corporation reimburses the Commission for such expenditures that relate to the program administration and are permitted under the bond indentures of the Corporation.

The purpose of the Corporation's programs is to lower costs for Alaskans pursuing education and training at a postsecondary level and for other qualified individuals attending postsecondary institutions in the State.

Historically, the Corporation has provided various alternative education loan programs under the umbrella title of the Alaska Student Loan Program. The Corporation modified and broadened its program offerings beginning in the 2002-2003 academic year by implementing a successor program, the AlaskAdvantage[®] Loan Program, which includes Federal Family Education Loan Program (FFELP) loans governed by the Higher Education Act. The Corporation also replaced its fixed rate alternative loan, the Alaska Student Loan, with a variable rate alternative loan, the Alaska Supplemental Education Loan (ASEL).

To accommodate FFELP lending, the Commission secured the status of "eligible lender" under the Higher Education Act and entered into various agreements with Northwest Education Loan Association, to serve as the Commission's "eligible guarantor" under the Higher Education Act. Loans authorized under the Higher Education Act which the Corporation is funding include Subsidized Stafford, Unsubsidized Stafford, and PLUS loans. The Higher Education Act provides for federal (i) insurance or reinsurance of eligible loans, (ii) interest subsidy payment to eligible lenders with respect to certain Subsidized Stafford loans, and (iii) special allowance payments representing an additional subsidy paid by the Secretary of the U.S. Department of Education to holders of eligible loans. For a loan loss to be eligible for reimbursement to a lender by a guarantor the loan must be serviced according to standards set by federal statutes and regulations.

The interest rate on FFELP loans is variable, reset annually each July 1. Subsidized Stafford and unsubsidized Stafford loans which are in in-school, grace, and deferment periods bear interest at a rate equivalent to the 91-day T-bill rate plus 1.7%, with a maximum rate of 8.25%. Subsidized Stafford and unsubsidized Stafford loans in all other periods bear interest at a rate equivalent to the 91-day T-bill rate plus 2.3%, with a maximum rate of 8.25%. PLUS loans bear interest at a rate equivalent to the 91-day T-bill rate plus 3.1%, with a maximum of 9%.

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

In April 2004, the Corporation began offering a new federal consolidation loan for any borrower already having a loan with the Corporation. Federal consolidation loans bear interest at a rate equal to the weighted average of the interest rates of the loans consolidated, rounded to the nearest higher one-eighth of 1%, with a maximum rate of 8.25%.

The interest rate for the ASEL is adjusted annually on or after June 1 and effective for twelve months beginning July 1. According to State statute, the variable interest rates are to be based on the bond equivalent rate of 91-day T-bill auctioned at the final auction held before June 1 of the loan year plus up to 2.8% and are to be capped at 8.25%.

In fiscal year 2003, the Corporation offered a new supplemental consolidation loan to borrowers who had two or more fixed rate Alaska Student Loans. The supplemental consolidation loan criteria was expanded to include any supplemental loan of the Corporation except the Family Education Loan. The supplemental consolidation loans accrue interest at fixed rates between 5.8% and 6%.

The AlaskAdvantage[®] Program was structured to provide eligible borrowers with low cost financial aid options. It encourages students to take advantage of federal aid resources to maximize their grant and lowest cost loan options prior to tapping into alternative loan sources. The federal loan program allows borrowers to create a serialized note with a given lender.

Between fiscal years 2004 and 2005, the Corporation saw a 5.6% increase in loan originations and continues to have the highest volume of federal loan awards in the state as compared to other federal education loan providers in Alaska. The Corporation's federal loan originations, excluding federal consolidation loans, increased by 29.7% between fiscal years 2004 and 2005. \$4.3 million of federal consolidation loans were originated in fiscal year 2005 as compared to \$448,639 in fiscal year 2004.

AlaskAdvantage[®] Financing:

To facilitate financing the program, the Corporation will issue \$58.3 million of tax-exempt, limited obligation, education loan revenue bonds under the 2002 Master Trust Indenture on July 28, 2005.

AlaskAdvantage[®] Borrower Benefits:

Under the AlaskAdvantage[®] Program the Corporation's Board of Directors has approved various loan benefit features that provide incentives and rewards to borrowers who participate in the program.

Alaska Student Loan Corporation
(a Component Unit of the State of Alaska)

MANAGEMENT'S DISCUSSION AND ANALYSIS

Under the AlaskAdvantage[®] Borrower Benefit Program, effective July 1, 2005 through June 30, 2006, borrowers with qualified loans held by the Corporation will be eligible for certain interest rate reductions or rebates on any such loan.

Borrower Benefit Program offerings are subject to the availability of funds and annual modifications or termination by the Corporation at its discretion provided, however, that any changes do not adversely effect the credit rating of certain bonds issued by the Corporation.

Contacting the Corporation's Financial Management

This financial report is designed to provide our customers, investors, and creditors with a general overview of the Corporation's finances and to demonstrate the Corporation's accountability for its assets. If you have any questions about this report or need additional financial information, contact the Finance Officer of the Corporation at (907) 465-6757.

ELGEE REHFELD MERTZ, LLC

CERTIFIED PUBLIC ACCOUNTANTS

9309 Glacier Highway, Suite B-200 • Juneau, Alaska 99801
907.789.3178 • FAX 907.789.7128 • www.ermcpa.com

INDEPENDENT AUDITORS' REPORT

The Board of Directors
Alaska Student Loan Corporation:

We have audited the accompanying basic financial statements of the Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, as of and for the years ended June 30, 2005, and 2004, as listed in the table of contents. These financial statements are the responsibility of the management of the Corporation. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects the financial position of the Alaska Student Loan Corporation as of June 30, 2005, and 2004, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis on pages 1 through 6, is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued a report dated September 9, 2005, on our consideration of the Corporation's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

ERM

September 9, 2005

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2005 and 2004

Assets	<u>2005</u>	<u>2004</u>
Current assets:		
Investments (note 3)	\$ 41,939,549	33,505,415
Accrued interest receivable	154,696	167,615
Total current assets	<u>42,094,245</u>	<u>33,673,030</u>
Restricted assets:		
Cash (note 3)	1,486,711	3,717,962
Investments (note 3)	402,159,490	445,425,042
Loans receivable (note 4)	591,116,455	577,248,263
Less allowance for:		
Doubtful loans (note 5)	(103,356,058)	(99,333,011)
Forgiveness (note 6)	(2,644,986)	(2,396,055)
Net loans receivable	<u>485,115,411</u>	<u>475,519,197</u>
Accrued interest receivable, net of forgiveness allowance of \$725,122 and \$708,964 in 2005 and 2004, respectively	17,380,522	15,979,993
Due from U.S. Department of Education	1,144,631	390,266
Bond issuance cost, net of accumulated amortization of \$3,886,007 and \$4,742,811 in 2005 and 2004, respectively	6,113,490	5,866,447
Total restricted assets	<u>913,400,255</u>	<u>946,898,907</u>
Total assets	<u>\$ 955,494,500</u>	<u>980,571,937</u>

(Continued)

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Balance Sheets

June 30, 2005 and 2004

Liabilities and Net Assets	<u>2005</u>	<u>2004</u>
Liabilities:		
Current liabilities payable from unrestricted assets:		
Accounts payable	\$ 361,735	153,263
Due to State of Alaska	420,637	418,868
Warrants outstanding	8,527	97,718
Deferred credit (note 2)	4,949,598	10,593,566
Return of capital payment declared (note 11)	3,100,000	5,600,000
Total current unrestricted liabilities	<u>8,840,497</u>	<u>16,863,415</u>
Current liabilities payable from restricted assets:		
Accounts payable	5,047	37,100
Due to State of Alaska	—	69,773
Warrants outstanding (note 4)	423,056	489,548
Return of capital payment declared (note 11)	134,299,263	75,000,000
Bond interest payable	10,072,794	9,742,396
Current portion of arbitrage rebate payable (note 8)	182,793	258,423
Current portion of bonds payable (note 7)	53,475,000	87,460,000
Total current liabilities	<u>198,457,953</u>	<u>173,057,240</u>
Noncurrent liabilities payable from restricted assets:		
Arbitrage rebate payable (note 8)	385,025	596,969
Bonds payable, net of bond premiums/discounts (note 7)	578,943,155	538,578,621
Total noncurrent liabilities	<u>579,328,180</u>	<u>539,175,590</u>
Total liabilities	<u>786,626,630</u>	<u>729,096,245</u>
Commitments and contingencies (note 11)	—	—
Net assets:		
Restricted net assets	135,614,122	234,666,077
Unrestricted net assets (note 2)	33,253,748	16,809,615
Total net assets	<u>168,867,870</u>	<u>251,475,692</u>
Total liabilities and net assets	<u>\$ 955,494,500</u>	<u>980,571,937</u>

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Statements of Revenue, Expenses

and Changes in Net Assets

Years ended June 30, 2005 and 2004

	2005	2004
Operating revenue - interest income - student loans	\$ <u>33,996,765</u>	<u>38,657,784</u>
Operating expenses:		
Provision for:		
Loan losses (note 5)	5,048,581	4,439,205
Forgiveness (note 6)	736,098	418,148
Operations	<u>10,303,231</u>	<u>8,964,155</u>
Total operating expenses	<u>16,087,910</u>	<u>13,821,508</u>
Operating income	<u>17,908,855</u>	<u>24,836,276</u>
Nonoperating revenue (expense), excluding special item:		
Interest income from investments	11,196,953	5,318,342
Interest expense	(22,827,011)	(19,651,902)
Arbitrage rebate	54,994	(301,993)
Amortization of bond issuance costs	<u>(841,613)</u>	<u>(1,157,810)</u>
Net nonoperating expense	<u>(12,416,677)</u>	<u>(15,793,363)</u>
Income before return of capital ("statutory net income")	5,492,178	9,042,913
Return of capital (note 11)	<u>(88,100,000)</u>	<u>(80,600,000)</u>
Change in net assets	<u>(82,607,822)</u>	<u>(71,557,087)</u>
Total net assets-beginning	251,475,692	323,032,779
Total net assets-ending	\$ <u><u>168,867,870</u></u>	<u><u>251,475,692</u></u>

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Cash flows from operating activities:		
Principal repayments received on loans	\$ 49,798,647	50,393,983
Interest received on loans	25,081,710	27,433,141
Other cash receipts	1,495,261	1,372,929
Loans originated	(64,668,614)	(60,632,108)
Cash paid to Alaska Commission on Postsecondary Education for operating expenses	(9,980,250)	(8,899,131)
Net cash provided by operating activities	1,726,754	9,668,814
Cash flows from noncapital financing activities:		
Proceeds from issuance of bonds	—	116,058,226
Bond issue costs	(50,342)	(850,350)
Interest paid on bonds	(20,954,333)	(19,855,326)
Principal payments on bonds	(81,495,000)	(47,005,000)
Net cash provided by (used for) noncapital financing activities	(102,499,675)	48,347,550
Cash flows from investing activities:		
Interest received on investments	10,618,695	5,833,083
Investments matured	6,920,039,252	1,475,928,788
Investments purchased	(6,886,109,480)	(1,612,684,550)
Net cash provided by (used for) investing activities	44,548,467	(130,922,679)
Cash flows from capital activities:		
Proceeds from issuance of bonds	94,254,660	77,508,799
Bond issue costs	(1,038,314)	(763,790)
Interest paid on bonds	(1,957,406)	—
Principal payments on bonds	(5,965,000)	—
Return of capital payments	(31,300,737)	(5,000,000)
Net cash provided by capital activities	53,993,203	71,745,009
Net decrease in cash	(2,231,251)	(1,161,306)
Cash at beginning of period	3,717,962	4,879,268
Cash at end of period	\$ 1,486,711	3,717,962

(Continued)

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION

(a Component Unit of the State of Alaska)

Statements of Cash Flows

Years ended June 30, 2005 and 2004

	2005	2004
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 17,908,855	24,836,276
Adjustments to reconcile operating income to net cash provided by operating activities:		
Increase in net loans receivable	(9,596,214)	(7,894,074)
Increase in net accrued interest receivable on loans	(140,286)	(3,598,985)
Increase in other assets	(754,365)	(261,984)
Increase (decrease) in accounts payable	176,419	(19,132)
Increase (decrease) in due to State of Alaska	(68,004)	107,877
Decrease in warrants outstanding	(155,683)	(71,861)
Decrease in deferred credit	(5,643,968)	(3,429,303)
	(16,182,101)	(15,167,462)
Net cash provided by operating activities	\$ 1,726,754	9,668,814
Summary of noncash transactions that affect recognized assets and liabilities:		
Provision for loan loss and forgiveness	\$ (5,784,679)	(4,857,353)
Provision for lost interest and forgiveness	(3,576,425)	(1,392,766)
Write-off of uncollectible loans	7,537,473	5,828,682
Forgiveness granted - principal	(487,167)	(314,123)
Forgiveness granted - interest	(115,947)	(77,651)
Bond premium (discount) amortization	415,126	(24,478)
Bond issuance cost amortization	(841,613)	(1,157,810)
Deferred credit used for loan loss	6,511,939	4,493,091
Deferred credit amortization	418,705	262,782
Interest capitalization	8,073,000	7,747,246
Unrealized loss on investments	(901,646)	(1,071,811)

See accompanying notes to the financial statements

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2005 and 2004

(1) **Authorizing Legislation and Organization**

The Alaska Student Loan Corporation (Corporation), a component unit of the State of Alaska, was created in 1987 by an act of the State of Alaska Legislature (Legislature). The purpose of the Corporation is to provide low-interest education loans to Alaskans. The Corporation is authorized, with certain limitations, to issue its own bonds and other obligations in such principal amounts as, in the opinion of the Corporation, will be necessary to provide sufficient funds for carrying out its purpose. All obligations so issued shall not be deemed to constitute a debt of the State of Alaska (State).

The State Governor appoints the Corporation's Board of Directors and the staff of the Alaska Commission on Postsecondary Education (Commission) administers the Corporation. The Commission's budget provides for reimbursement from the Corporation for operating and capital expenses. The Commission's budget is subject to review and approval from both the executive and legislative branches of the State.

The State has provided education loans through various programs since 1968. Prior to the creation of the Corporation, substantially all such loans were recorded in the Scholarship Revolving Loan Fund and Teacher Scholarship Loan Fund (Funds) of the State. In April 1988, by act of the Legislature, the assets, liabilities, and equities of the Funds were transferred to the Corporation effective December 30, 1987.

Loans are financed through the issuance of tax-exempt bonds or with recycled principal and interest repayments. The bonds outstanding are payable primarily from interest and principal repayments on the financed loans as specified in the underlying resolutions authorizing the sale of bonds.

(2) **Summary of Significant Accounting Policies**

(a) ***Fund Accounting***

The financial activities of the Corporation, which are restricted by the Corporation's bond indentures and the requirements of the Legislature, are recorded in various funds as specified in such instruments or necessitated by appropriation requirements or sound fiscal management. The funds are combined for financial statement purposes and there are no significant interfund transactions. The Corporation's funds are considered to be enterprise funds for financial reporting purposes with revenues recognized when earned and expenses when incurred.

(b) ***Standard Application***

As allowed by the Government Accounting Standards Board Statement No. 20 (GASB 20), *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Corporation has elected not to apply Statements and Interpretations issued by the Financial Accounting Standards Board after November 30, 1989.

(c) ***Fiscal Year***

The Corporation's fiscal year begins July 1 and ends June 30, consistent with the State's fiscal year.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2005 and 2004

(d) *Management Estimates*

In preparing the financial statements in accordance with generally accepted accounting principles, management is required to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses. Actual amounts could differ from those estimates. The more significant accounting and reporting policies applied in the preparation of the accompanying financial statements are discussed below.

(e) *Loans*

Loans represent education loans issued through the AlaskAdvantage[®] Loan Programs, which include Alaska Supplemental Loans, Teacher Education Loans (TEL), Family Education Loans (FEL), (collectively referred to as supplemental loans), and federally guaranteed Stafford, PLUS and Consolidated loans. The terms of the loans vary depending on the year of inception and loan type. Interest accrues at fixed and variable rates ranging from 2.77% to 9% and is generally determined by loan type and issue date. The Corporation offers borrower benefits, which reduce the interest costs for eligible borrowers. The borrower benefit offerings are approved by the Corporation Board of Directors annually and may vary from year-to-year.

A borrower of TEL can obtain up to 100% forgiveness of loan principal and interest if the borrower teaches in rural Alaska for periods specified by the program.

For certain supplemental loans awarded prior to July 1, 1987, borrowers can obtain forgiveness for up to 50% of loan principal and interest if the borrower resides in Alaska for specified periods upon successful completion of the program of study for which the loan was awarded.

(f) *Allowance for Doubtful Loans*

The allowance for doubtful loans represents management's estimate, based on experience, of all loans that will ultimately be uncollectible. The Corporation charges off supplemental loans to the allowance upon death, bankruptcy as allowed by law, total disability of the borrower, or when a payment has not been received for five years on loans not in deferment.

(g) *Interest on Education Loans*

Interest on education loans is accrued when earned. For federally guaranteed subsidized loans, interest from the disbursement date of the loan until a date that is six months after the student withdraws from school (plus any authorized deferment periods) is billed to and paid by the U.S. Department of Education under the Federal Family Education Loan Program. The borrower pays interest subsequent to that date. For non-subsidized federally guaranteed loans and for all supplemental loans issued after June 30, 2002 interest from the disbursement date is paid by the borrower.

Certain supplemental loans are non-interest bearing while the borrower is completing eligible studies. All state supplemental loans issued prior to July 1, 1996 are non-interest bearing during approved periods of deferment and postponement. Loans issued prior to July 1, 1987 are also non-interest

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2005 and 2004

bearing during a one-year grace period following completion of studies and a six-month sub-grace period following an approved deferment. Non-interest bearing loans are approximately \$22,774,663 at June 30, 2005.

Historical rates are used to determine the allowance for doubtful interest. The allowance for doubtful interest is approximately \$20,500,000 and \$21,500,000 as of June 30, 2005 and 2004, respectively. The provision for doubtful interest is a reduction of interest income and was approximately \$3,444,000 and \$1,340,000 for the years ended June 30, 2005 and 2004, respectively.

(h) ***Deferred Credit***

Borrowers who received supplemental loans after June 30, 1994 were charged an origination fee of 1%, 3% or 5%, generally determined by loan issue date. Its purpose is to offset loan losses due to death, disability, bankruptcy or default of borrowers charged the origination fee. The origination fee is recognized as revenue using the straight-line method equal to the loan repayment period and assumes repayment begins the year following origination. The allowance for doubtful loans has been reduced by the unamortized deferred credit.

(i) ***Allowance for Forgiveness***

The allowance for forgiveness represents management's estimate, based on experience of the loan forgiveness that will ultimately be applied for and granted.

(j) ***Bond Issuance Costs***

Bond issuance costs include underwriters' fees and other costs incurred in connection with the issuance of bonds and are amortized using the straight-line method.

(k) ***Bond Discounts/Premiums and Deferred Amounts on Refundings***

Bond discounts, premiums and deferred amounts on refundings are amortized using the straight-line method.

(l) ***Income Taxes***

The Corporation, as a government instrumentality, is exempt from federal and state income taxes.

(m) ***Investments***

The Corporation carries all investments at fair value.

(n) ***Unrestricted Net Assets***

Unrestricted net assets represent assets of the Corporation not pledged as collateral for specific bond indentures. GASB Statement No. 34 requires assets restricted by statute to be reported as unrestricted. Assets restricted by statute are approximately \$31,200,000 and \$29,200,000 at June 30, 2005 and 2004, respectively.

ALASKA STUDENT LOAN CORPORATION
(a Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2005 and 2004

(3) **Cash and Investments**

(a) **Cash**

Cash at June 30, 2005 is \$1,486,711 consisting mainly of deposits held in trust. Cash is restricted by bond resolutions.

(b) **Investments**

The fair value as of June 30, 2005 of the Corporation's investments, a majority of which are restricted by bond resolutions and statutory agreements, is shown below:

Restricted	\$ 402,159,490
Unrestricted	41,939,549
	<u>\$ 444,099,039</u>

Restricted investments include amounts specifically designated for financing education loans. At June 30, 2005 the investments available for financing education loans total \$42,086,687.

The Corporation invests in the State's General Fund and Other Non Segregated Investments Pool (GeFONSI). GeFONSI consists of investments in the State's Short-term and Intermediate-term Fixed Income Pools.

Non-pooled	\$ 428,080,323
Pooled	16,018,716
	<u>\$ 444,099,039</u>

The fair value as of June 30, 2005 of debt security investments by contractual maturity is shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without penalty.

	<u>Investment Maturities (in Years)</u>				
	<u>Less than 1</u>	<u>1-5</u>	<u>6-10</u>	<u>More than 10</u>	<u>Total</u>
Interest earning investment contracts ¹	\$ 15,010,000	8,222,000	21,687,500	7,514,000	52,433,500
U.S. Treasury securities	1,806,138	39,990,920	1,046,012	1,021,611	43,864,681
U.S. Government agencies securities	180,801,195	42,371,807	1,060,847	259,562	224,493,411
Corporate bonds	302,124	1,081,750	1,077,481	1,597,629	4,058,984
Asset-backed securities	—	—	—	7,407,634	7,407,634
Money market funds	95,822,113	—	—	—	95,822,113
Total investments	<u>\$ 293,741,570</u>	<u>91,666,477</u>	<u>24,871,840</u>	<u>17,800,436</u>	<u>428,080,323</u>

¹ This includes repurchase agreements and investment contracts with third-parties.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2005 and 2004

(c) *Investment Policies*

The Corporation utilizes different investment strategies depending upon the nature and intended use of the assets being invested. All funds are classified as pledged or non-pledged and are managed either by staff or by external investment managers. All of these factors determine the applicable investment guidelines used when making investment decisions. The Corporation's investment policies provide investment guidelines for non-pledged funds.

The following securities are eligible for investment under the Corporation's investment policies:

- Debt instruments issued by the U.S. Government, its Agencies and Instrumentalities.
- Investment contracts and repurchase agreements with a corporation or other entity which has a long-term debt rating of at least A3 by Standard and Poor's (S&P) or A- by Moody's and where collateral is maintained at a minimum level of 102% when using direct obligations of the U.S. Treasury or 103% when using allowable agency securities.
- Guaranteed investment contracts with a corporation or other entity which has a long-term debt rating of at least A3 by Standard and Poor's (S&P) or A- by Moody's. The contract maturity is limited to five years or less.
- Investments in a money fund rated AAAM or AAAM-G or better by Standard & Poor's and Aaa by Moody's.

In addition to the above guidelines, the following apply to non-pledged funds managed by an external investment manager:

- General obligations of any state or municipality with a published rating of A or better, and debt instruments that have been issued by domestic entities rated A or above by both S&P and Moody's or the equivalent by another nationally recognized rating agency, and dollar denominated debt instruments of comparable quality issued by non-domestic entities.
- Government National Mortgage Association, the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation mortgage backed instruments as well as asset-backed securities.
- Certificates of deposit and term deposits of United States Domestic financial institutions which are members of the Federal Deposit Insurance Corporation provided that such entities have the highest credit rating assigned by a nationally recognized rating service, and which may be readily sold in the secondary market at prices reflecting fair value.
- Short-term domestic corporate promissory notes (commercial paper) payable in United States dollars of the highest rating assigned by a nationally recognized rating service.

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Notes to Financial Statements

June 30, 2005 and 2004

(d) ***Concentration Risk***

Concentration risk is the risk of loss attributed to the magnitude of the Corporation's investment in a single issuer. Concentration limits are not established in the bond indentures and governing agreements for pledged investments. The Corporation's policies set out maximum concentration limits for all investment contracts and for non-pledged funds managed by an external investment manager.

For investment contracts, the diversification standard is two-fold and applies to each bond indenture individually. First, investment agreement providers will be limited to providing investments to the lesser of \$50,000,000 or 25% of total financial assets. Second, no investment agreement provider may hold more than 25% of the total capital reserve fund investments. These diversification standards are not applicable to direct purchase investments or to acquisition funds that will be reduced to a maximum of \$50,000,000 in the first six months of the agreement.

Concentration to any one issuer, of non-pledged funds managed by an external investment manager, other than securities of the U.S. Government, its agencies or instrumentalities, is limited to 5% of the portfolio's market value at the time of purchase.

Pledged funds are invested according to the terms outlined in their respective indentures or governing agreements, which generally mandate the purchase of relatively short-term, high quality fixed income securities. In those instances, if any, where an indenture or governing agreement is less restrictive than the Corporation's investment policies for non-pledged funds, the investment will be made in accordance with the more restrictive investment policy.

(e) ***Credit Risk***

Credit risk is the risk of loss due to the failure of the security or backer. The Corporation mitigates its credit risk by limiting investments to those permitted in the investment policies, diversifying the investment portfolio, and pre-qualifying firms with which the Corporation administers its investment activities. Additionally, for funds managed by external investment managers, the weighted average quality rating of the portfolio must be maintained at AA- or better as determined by Standard and Poor's or the equivalent by another nationally recognized rating agency.

The credit quality ratings of the Corporation's investments as of June 30, 2005 as described by nationally recognized statistical rating organizations, are shown below. U.S. Treasury securities and securities of agencies and corporations that are explicitly guaranteed by the U.S. government in the amount of \$43,864,681 are not considered to have credit risk and therefore, are not included in the summary.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2005 and 2004

Moody's	S&P	Investment Fair Value
Securities of U.S. Government agencies and corporations:		
Aaa	AAA	\$ 226,622,541
Aa1	AA-	159,916
Aa2	AA+	147,138
Aa2	AA	98,819
Aa2	A+	127,167
Aa3	A+	306,978
Aa3	A	91,894
A1	A	521,464
A2	A	476,478
		228,552,395
Money market funds:		
Aaa	AAA	95,061,369
Unrated investments:		
Investment contracts		52,433,500
Asset-backed securities		7,407,634
Money market funds		760,744
		60,601,878
		\$ 384,215,642

(f) ***Custodial Credit Risk***

The Corporation assumes levels of custodial credit risk for its deposits with financial institutions, bank investment agreements, and investments. For deposits, custodial credit risk is the risk that, in the event of a bank failure, the Corporation's deposits may not be returned. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Corporation will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The Corporation has not established a formal custodial credit risk policy for its investments.

As of June 30, 2005 the Corporation's bank balance of \$1,374,599 is fully covered by depository insurance. The Corporation had no investments registered in the name of a counterparty.

(g) ***Interest Rate Risk***

Interest rate risk is the risk that the market value of investments will decline as a result of changes in general interest rates. For non-pledged investments, the Corporation mitigates interest rate risk by structuring its investment's maturities to meet cash requirements, thereby avoiding the need to sell securities in the open market prior to maturity. For investments held in trust, investment maturities are structured to meet cash requirements as outlined in its bond indentures and contractual and statutory agreements.

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Notes to Financial Statements

June 30, 2005 and 2004

(h) **Modified Duration**

Modified duration estimates the sensitivity of an investment to interest rate changes. The following table shows the Corporation's pledged and non-pledged investments with their weighted average modified duration as of June 30, 2005 by investment type:

	Investment Fair Value	Modified Duration
Investment contracts	\$ 52,433,500	6.03
U.S. Treasury securities	43,864,681	3.36
U.S. Government agencies securities	224,493,411	0.84
Asset-backed securities	7,407,634	13.16
Corporate bonds	4,058,984	8.47
Money market funds	95,822,113	0.00
	<u>\$ 428,080,323</u>	
Portfolio modified duration		1.83

The Corporation's investment policies require that the duration of each externally managed fixed income portfolio be within plus or minus 20% of the duration of the Lehman Aggregate Bond Index.

(i) **Investment Holdings Greater than Five Percent of Total Non-pooled Portfolio**

The following investment holdings, summarized by issuer, include both investments that are governed by the maximum concentration limits of the Corporation's fiscal policy and investments which have no established concentration limits. Investments in mutual funds and investment pools are excluded from this summary. As of June 30, 2005 the Corporation has investment balances greater than five percent of the Corporation's total non-pooled investments with the following issuers:

Fannie Mae	\$ 86,567,624	20.2%
Federal Home Loan Bank	83,177,866	19.4%
Freddie Mac	62,125,555	14.5%
U.S. Treasury	43,864,681	10.2%

(j) **Pooled Investments**

The State's GeFONSI consists of investments in the State's Short-term and Intermediate-term Fixed Income Pools. Actual investing is performed by investment officers in the State's Department of Revenue, Treasury Division. A complete description of the investment policy for each pool is included in the Department of Revenue, Treasury Division, Policies and Procedures.

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Notes to Financial Statements

June 30, 2005 and 2004

At June 30, 2005 the Corporation's share of pool investments, reported at fair value, is as follows:

Investment Type	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool	Securities Lending Collateral	Total
Overnight sweep account	\$ 12,018	—	—	12,018
Money market	—	—	131,164	131,164
Commercial paper	689,544	—	—	689,544
U.S. Treasury bills	522,946	—	—	522,946
U.S. Treasury notes	454,181	3,349,131	—	3,803,312
U.S. Treasury strips	—	70,099	—	70,099
U.S. Government agency discount notes	115,513	473,514	—	589,027
U.S. Government agency	—	909,851	—	909,851
Mortgage-backed	1,319,905	1,426,548	—	2,746,453
Other asset-backed	3,701,609	358,455	—	4,060,064
Corporate bonds	1,678,797	1,081,545	—	2,760,342
Yankees-corporate	64,269	2,804	—	67,073
Total Invested Assets	<u>8,558,782</u>	<u>7,671,947</u>	<u>131,164</u>	<u>16,361,893</u>
Pool related net assets (liabilities)	85,746	(428,923)	—	(343,177)
	<u>\$ 8,644,528</u>	<u>7,243,024</u>	<u>131,164</u>	<u>16,018,716</u>

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-term Fixed Income Pool:

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to fourteen months in maturity or fourteen months expected average life. Floating rate securities are limited to three years in maturity or three years expected average life. Treasury utilizes the actual maturity date for commercial paper and twelve month prepay speeds for other securities. At June 30, 2005 the expected average life of individual fixed rate securities range from one day to ten months and the expected average life of floating rate securities range from less than one year to three years.

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June 30, 2005 and 2004

Intermediate-term Fixed Income Pool:

Through its investment policy, Treasury manages its exposure to fair value losses arising from increasing interest rates by limiting the effective duration of its Intermediate-term Fixed Income Pool to $\pm 20\%$ of the Merrill Lynch 1-5 year Government Bond Index. The effective duration for the Merrill Lynch 1-5 year Government Bond Index at June 30, 2005 was 2.31 years.

At June 30, 2005 the effective duration by investment type is as follows:

U.S. Treasury notes	2.26
U.S. Treasury strips	0.86
U.S. Government agency	3.01
Mortgage-backed	2.01
Other asset-backed	0.84
Corporate bonds	2.60
Yankees-corporate	3.09
Pool effective duration	2.10

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

With the exception of the sweep account, Short-term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's, Moody's and Fitch is A3 or equivalent. Asset-backed and non-agency mortgage securities may only be purchased if rated by one of the rating agencies mentioned above if they are rated AAA. Unexpected daily cash surpluses that arise in this pool are invested overnight in the custodian's repurchase agreement sweep account. Treasury does not have a policy to limit credit risk associated with the sweep account.

Intermediate-term Fixed Income Pool investments are limited to securities with a long-term credit rating of at least BBB3 or equivalent and securities with a short-term credit rating of at least A1 or equivalent. For securities with long-term credit ratings, they may be purchased if the median rating of Standard & Poor's, Moody's and Fitch is BBB3 or equivalent. Asset-backed and non-agency mortgage securities may only be purchased if rated by one of the rating agencies mentioned above if they are rated AAA.

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Notes to Financial Statements

June 30, 2005 and 2004

At June 30, 2005 the State's Pools consisted of investments with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard and Poor's rating scale):

Investment Type	Rating ¹	Short-term Fixed Income Pool	Intermediate- term Fixed Income Pool
Commercial paper	A	8%	—
U.S. Government agency discount notes	Not Rated	1%	7%
U.S. Government agency Mortgage-backed	Not Rated	15%	13%
Mortgage-backed (agency)	AAA	—	6%
Other asset-backed	Not Rated	—	11%
Other asset-backed	AAA	39%	4%
Other asset-backed	A	3%	1%
Corporate bonds	AAA	1%	1%
Corporate bonds	AA	11%	2%
Corporate bonds	A	9%	6%
Corporate bonds	BBB	—	6%
Yankees – corporate	A	1%	—
No credit exposure		12%	43%
		<u>100%</u>	<u>100%</u>

¹Rating modifiers are not disclosed.

At June 30, 2005 the securities lending collateral is invested in a registered 2(a)-7 money market fund that is not rated.

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk is to prohibit the purchase of more than five percent of a pool's holdings in corporate bonds of any one company or affiliated group. At June 30, 2005 the Corporations has more than five percent of its investments in Federal Home Loan Mortgage Corporation and Federal National Mortgage Association as follows:

	Fair Value	Percentage of Total Investments
Federal Home Loan Mortgage Corporation	\$ 1,012,147	6%
Federal National Mortgage Association	1,317,984	8%

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Notes to Financial Statements

June 30, 2005 and 2004

(k) *Securities Lending*

Alaska Statute 37.10.071 authorizes the Commissioner of Revenue to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Commissioner entered into an agreement with State Street Corporation (the Bank) to lend securities in the Short-term and Intermediate-term Fixed Income Pools. The Bank, acting as the Commissioner's agent under the agreement, transfers securities to broker agents or other entities for collateral in the form of cash or securities and simultaneously agrees to return the collateral for the same securities in the future.

At June 30, 2005 and 2004 the fair value of securities on loan allocable to the Corporation total \$127,551 and \$3,243,043, respectively.

There is no limit to the amount that can be loaned and the Commissioner is able to sell securities on loan. Loans are collateralized at not less than 102 percent of their fair value. Loaned securities and collateral is marked to market daily and collateral is received or delivered the following day to maintain collateral levels.

Cash collateral is invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally do not match the maturities of the loaned securities because the lending agreements are terminable at will. Collateral securities may be pledged or sold upon borrower default. Since the Commissioner does not have the ability to pledge or sell the collateral securities unless the borrower defaults, they are not recorded in the financial statements. Securities under loan, cash collateral and cash collateral payable are recorded in the financial statements at fair value. The Bank, the Corporation and the borrower receive a fee from earnings on invested collateral. The Bank and the Corporation share a fee paid by the borrower for loans not collateralized with cash.

There is limited credit risk associated with the lending transactions since the Commissioner is indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnifies the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications are subject to limitation relating to war, civil unrest or revolution, or beyond the reasonable control of the Bank.

For the year ended June 30, 2005 there are no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.

ALASKA STUDENT LOAN CORPORATION
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Notes to Financial Statements

June 30, 2005 and 2004

(4) **Restricted Loans Receivable**

A summary of restricted loans receivable, all of which are installment loans to individuals, at June 30 follows:

	<u>2005</u>	<u>2004</u>
Alaska Supplemental Loans	\$ 530,602,317	534,089,988
Teacher Education Loans	8,589,552	9,062,785
Family Education Loans	8,286,656	9,122,020
Federal Family Education Loans	43,637,930	24,973,470
	<u>\$ 591,116,455</u>	<u>577,248,263</u>

The loan portfolio summarized by loan status at June 30 follows:

	<u>2005</u>	<u>2004</u>
Enrollment	\$ 106,278,743	101,318,896
Grace	26,197,292	27,699,282
Repayment	394,206,964	384,615,869
Deferment	64,433,456	63,614,216
	<u>\$ 591,116,455</u>	<u>577,248,263</u>

Loans awarded and not disbursed at June 30, 2005 and 2004 total \$13,624,374 and \$13,511,526 respectively.

Included in loans receivable are \$392,800 and \$450,894 of loan warrants issued but not yet redeemed by the borrowers at June 30, 2005 and 2004, respectively. Redemption is contingent upon the borrowers meeting certain eligibility requirements.

Restricted loans receivables are pledged to the Corporation's outstanding bonds.

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June 30, 2005 and 2004

(5) **Allowance for Doubtful Loans**

A summary of the activity in the allowance for doubtful loans at June 30 follows:

		2005	2004
Balance at beginning of period	\$	99,333,011	96,229,397
Provision for loan losses		5,048,581	4,439,205
Net loans charged off		(1,025,534)	(1,335,591)
Balance at end of period	\$	103,356,058	99,333,011

(6) **Allowance for Forgiveness**

As described in note 2, the Corporation disburses loans of which principal and interest become eligible for forgiveness under certain conditions.

A summary of the activity in the allowance for forgiveness at June 30 follows:

		2005	2004
Balance at beginning of period	\$	2,396,055	2,292,031
Provision for forgiveness		736,098	418,148
Forgiveness granted		(487,167)	(314,124)
Balance at end of period	\$	2,644,986	2,396,055

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June 30, 2005 and 2004

(7) **Bonds Payable**

(a) Bonds payable at June 30 consist of the following:

	Original Amount	Amount outstanding	
		2005	2004
Outstanding under the 1988 Master Indenture:			
1994 Series A Student Loan Revenue Bonds serial bonds	\$ 50,000,000	—	19,680,000
1995 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.5% to 5.75%, due 2006 to 2009	55,000,000	21,920,000	29,270,000
1996 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.75% to 6.35%, due 2006 to 2013	38,000,000	28,500,000	31,000,000
1997 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.15% to 5.75%, due 2006 to 2015	75,000,000	69,000,000	73,000,000
1998 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 4.6% to 5.3%, due 2006 to 2016	88,570,000	50,000,000	60,000,000
1999 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 4.4% to 5.45%, due 2006 to 2017	40,000,000	34,750,000	36,750,000
2000 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 5.3% to 6.05%, due 2006 to 2018	32,140,000	31,645,000	32,140,000
term bonds, 6.0%, due July 1, 2016	7,860,000	7,860,000	7,860,000
2001 Series A Student Loan Revenue Bonds serial bonds, fixed rates ranging from 3.95% to 4.65%, due 2006 to 2011	33,345,000	24,275,000	33,345,000
	\$ 419,915,000	267,950,000	323,045,000
Less bond discounts		—	(14,812)
Sub-total 1988 Master Indenture		\$ 267,950,000	323,030,188

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June 30, 2005 and 2004

	Original Amount	Amount outstanding	
		2005	2004
Outstanding under the 2002 Master Indenture:			
2002 Series A and B Education Loan Revenue Bonds auction variable rate bonds, due 2011 to 2037	\$ 62,500,000	36,100,000	62,500,000
2003 Series A-1 and A-2 Education Loan Revenue Bonds auction variable rate bonds, due 2011 to 2038	47,000,000	47,000,000	47,000,000
2004 Series A-1, A-2, A-3 Education Loan Revenue Bonds auction variable rate bonds due 2044	93,100,000	93,100,000	93,100,000
serial bonds, fixed rate ranging from 5.0% to 5.25%, due 2011 to 2017	22,015,000	22,015,000	22,015,000
	<u>\$ 224,615,000</u>	<u>198,215,000</u>	<u>224,615,000</u>
Plus bond premium		863,098	934,957
Sub-total 2002 Master Indenture		<u>\$ 199,078,098</u>	<u>225,549,957</u>
Outstanding under the 2004 Indenture:			
2004 Series A Capital Project Revenue Bonds serial bonds, fixed rates ranging from 2.0% to 4.0%, due 2006 to 2017	\$ 69,910,000	63,945,000	69,910,000
term bonds, 4.0%, due July 1, 2018	5,230,000	5,230,000	5,230,000
	<u>\$ 75,140,000</u>	<u>69,175,000</u>	<u>75,140,000</u>
Plus bond premium		2,152,999	2,318,476
Sub-total 2004 Indenture		<u>\$ 71,327,999</u>	<u>77,458,476</u>
Outstanding under the 2005 Indenture:			
2005 Series A State Projects Revenue Bonds serial bonds, fixed rates ranging from 5% to 5.5%, due 2006 to 2014	\$ 88,305,000	88,305,000	—
Plus bond premium		5,757,058	—
Sub-total 2005 Indenture		<u>\$ 94,062,058</u>	<u>—</u>
Total Bonds Payable	<u>\$ 807,705,000</u>	<u>623,645,000</u>	<u>622,800,000</u>
Plus bond premium		8,773,155	3,238,621
		<u>\$ 632,418,155</u>	<u>626,038,621</u>

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Notes to Financial Statements

June 30, 2005 and 2004

- (b) The minimum payments and sinking fund installments for the five years subsequent to June 30, 2005 and thereafter are as follows:

Period ending June 30	Principal	Interest	Total
2006	\$ 53,475,000	25,492,408	78,967,408
2007	35,150,000	24,060,291	59,210,291
2008	38,880,000	22,367,346	61,247,346
2009	38,995,000	20,574,343	59,569,343
2010	39,045,000	18,641,526	57,686,526
2011-2015	225,595,000	57,975,595	283,570,595
2016-2020	48,605,000	22,563,770	71,168,770
2021-2044	143,900,000	82,166,806	226,066,806
	<u>\$ 623,645,000</u>	<u>273,842,085</u>	<u>897,487,085</u>

- (c) The 1988 and 2002 Master Indenture Bonds are private activity bonds. The 2004 and 2005 Indenture Bonds are not private activity bonds. All of the bonds pay interest semiannually. The bonds are secured by education loans and other assets of the Corporation and are not obligations of the State.

All of the bonds are subject to certain early redemption features, both mandatory and at the option of the Corporation. In addition, the bond indentures contain covenants relative to restrictions on additional indebtedness.

All of the bonds outstanding under the 1988 Master Indenture are insured by Ambac Assurance Corporation. The 2004 Capital Project Revenue Bonds outstanding under the 2004 Indenture are insured by MBIA Insurance Corporation. The 2005 State Projects Revenue Bonds outstanding under the 2005 Indenture are insured by Financial Security Assurance, Inc.

- (d) On May 19, 2004 the Corporation issued \$115,115,000 in education loan revenue bonds, of which \$13,055,000 was for the purpose of refunding the outstanding 1994 Series A bonds and \$26,400,000 was for the purpose of refunding a portion of the Series 2002 A bonds, both at par.

The 1994 Series A refunding occurred on July 1, 2004. The refunding portion of the Series 2004 A-2 bonds was issued as auction variable rate certificates in which the interest is reset every 35 days and the principal payment due June 1, 2044. The initial interest rate on the Series 2004 A-2 bonds was 1.18%. The refunded 1994 Series A bond's interest rates were fixed rates ranging from 5.875% to 6% and were due in level debt service payments, with the final payment due July 1, 2007. The refunding resulted in aggregate debt service payments over the next seven years in a total amount of approximately \$700,000 less than the debt service payments which would have been due on the refunded bonds. Based on the Series 2004 A-2 bonds' initial interest rate of 1.18%, there will be an estimated economic gain of \$740,000.

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June 30, 2005 and 2004

The Series 2002 A refunding occurred on August 16, 2004. The refunding portion of the Series 2004 A-1 was issued as auction variable rate certificates in which the interest is reset every 35 days and the principal payment due June 1, 2044. The initial interest rate on the Series 2004 A-1 bonds was 1.20%. The refunded Series 2002 A bonds were issued as auction variable rate certificates in which the interest rate reset every 35 days and the principal payments were due June 1, 2009 and 2010. The refunding was effected to extend the maturity dates of these bonds to June 1, 2044. There is no expected economic gain or change in debt service payments over the next six years.

- (e) On July 1, 2005 the Corporation will call all outstanding Series 1995 A Bonds at par in the amount of \$15,900,000.
- (f) On July 28, 2005 the Corporation will issue \$58,250,000 of Education Loan Revenue Bonds, Senior 2005 Series A, to finance education loans. The bonds will be issued with fixed interest rates ranging from 4% to 5%.

(8) Arbitrage Rebate Payable

In connection with the Corporation's tax-exempt bond issues, the Corporation is subject to rebatable arbitrage when bond proceeds are invested in investments and education loans. Interest income from investments and education loans is limited by the U.S. Treasury regulations. The amount accrued for arbitrage rebate liability at June 30, 2005 and 2004 represents the amount of arbitrage rebate due to the federal government for excess earnings on the bond proceeds.

(9) Student Loan Interest and Special Allowance on Federally Guaranteed Loans

The U.S. Department of Education makes quarterly interest subsidy payments on behalf of qualified borrowers until the borrower is required under provisions of the Higher Education Act to begin repayment. Repayment on Stafford education loans normally begins within six months after borrowers complete their course of study, leave school, or cease to carry at least one-half the normal full-time academic load as determined by the educational institution. Repayment of PLUS loans normally begins within sixty days from the date of loan disbursement unless a deferment of payments has been granted. In these cases, full repayment of principal and interest would resume at the expiration of the deferment. Interest accrues during this deferment period.

The U.S. Department of Education provides a special allowance payment to lenders participating in the Stafford, PLUS, and Consolidation loan programs. Special allowance is paid based on a rate that is established quarterly. For loans first disbursed after June 30, 1999 and financed with obligations issued after October 1, 1993, the rate is based on the average rate established in the auction of the three-month Financial Commercial Paper, plus a predetermined factor, less the interest rate on the loan. Loans made or purchased with funds obtained through the issuance of tax-exempt obligations issued before October 1, 1993 are eligible for one-half of the special allowance rate, subject to a minimum return of 9.5%. Loans originated or purchased with funds obtained through the issuance of tax-exempt obligations originally issued after October 1, 1993 are eligible for full special allowance and are not subject to a minimum return.

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June 30, 2005 and 2004

(10) **Retirement Plan**

Effective July 1, 1997, the Commission adopted the provisions of Government Accounting Standards Board Statement No. 27 (GASB 27), *Accounting for Pensions by State and Local Government Employers*. There was no impact on the financial statements as a result of GASB 27.

(a) ***Plan Description***

The Commission and its employees participate in the State of Alaska Public Employees' Retirement System (PERS), as a defined benefit, agent multiple-employer public employee retirement system which was established and is administered by the State to provide pension, post-employment healthcare, and death and disability benefits to eligible employees. All full-time employees are required to participate in PERS. Benefit and contribution provisions are established by State law and may be amended only by the Legislature.

Employees hired prior to July 1, 1986, with five or more years of credited service, are entitled to annual pension benefits beginning at normal retirement age fifty-five or early retirement age fifty. For employees hired after June 30, 1986, the normal retirement age is sixty and the early retirement age is fifty-five. The normal annual pension benefit for the first ten years of service is equal to 2% per year of the member's highest three-year average yearly compensation, 2.25% per year for the second ten years of service, and 2.5% per year thereafter. All service earned prior to July 1, 1986 is calculated using the 2% multiplier. Employees with thirty or more years of credited service may retire at any age and receive a normal benefit. Major medical benefits are provided without cost to all retirees first hired before July 1, 1986. Members with five or more years of credited service first hired after June 30, 1986, but before July 1, 1996, may elect major medical benefits. Members first hired after June 30, 1996 must have at least ten years of credited service to be eligible to elect major medical benefits.

Each fiscal year, PERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska 99211-0203 or by calling (907) 465-4460.

(b) ***Fund Policy and Annual Pension Cost***

Employees are required, by State statute, to contribute 6.75% of their gross wage to the plan. The funding policy for PERS provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate sufficient assets to pay benefits when due. Covered payroll for the period ended June 30, 2005 is approximately \$4,380,312 constituting substantially all of the Commission's payroll.

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Notes to Financial Statements

June 30, 2005 and 2004

The Commission's annual pension cost for the current year and the related information is as follows:

Contribution rates:	
Employee	6.75%
Employer	12.65%
Annual pension cost to date	\$ 554,355
Contributions made	\$ 554,355
Actuarial valuation date	June 30, 2004
Actuarial cost method	Projected unit credit
Amortization method	Level percentage of pay
Amortization period	25-year Fixed
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Inflation rate	3.50% per year
Investment return	8.25% per year, compounded annually, net of expense.
Projected salary increase:	
Inflation	3.50%
Productivity and merit	2.00%
Health cost trend	14.00%

In the current year the Commission determined, in accordance with provisions of GASB 27, that no pension liability (asset) existed to PERS and there was no previously reported liability (asset).

(11) **Commitments and Contingencies**

(a) ***Operations***

The Commission included approximately \$10,600,500 in its budget for fiscal year 2006 as reimbursement from the Corporation for administrative and capital expenses incurred on the Corporation's behalf. Amounts paid by the Corporation will be subject to revision based upon actual expenses incurred by the Commission.

(b) ***Payment to the State of Alaska***

During fiscal year 2000 the Legislature passed a bill that allows the Corporation to pay the State a return of contributed capital or dividend annually based on net income. If the Corporation's Board of Directors elects to make such a payment, the amount may not be less than 10%, nor greater than 35%, of the Corporation's income before transfers when it equals or exceeds \$2,000,000 for the Base Fiscal Year. The Base Fiscal Year is defined as the fiscal year ending two years before the end of the fiscal year in which the payment is made.

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June 30, 2005 and 2004

On September 13, 2004 the Corporation's Board of Directors approved a \$3,100,000 Return of Capital payment to the State which will be paid during the fiscal year 2006.

During fiscal year 2004 the Legislature passed a bill allowing the Corporation an additional means to pay the State a return of contributed capital. The Corporation has issued \$160,000,000 of capital project bonds, the proceeds of which are for use in various financial State capital projects.

(c) ***State Permanent Fund Dividend Seizure***

The Alaska Permanent Fund (Permanent Fund) is a fund held and managed by the State and was established in the Alaska State Constitution in 1976. The State deposits a percentage of oil and gas royalties into the Permanent Fund. By statute, the State pays a portion of the earnings of the Permanent Fund (PFD) annually to individuals who apply and meet certain residency requirements, provided that sufficient funds are available for payment. The annual PFD paid to each eligible resident for the years 2004 and 2003 was \$920 and \$1,108 respectively. There can be no assurance that payments will continue. PFD payments could be eliminated or reduced by an amendment to the Alaska Statutes. The Commission may seize a borrower's Permanent Fund Dividend (PFD) payment, if any, to satisfy the balance of a defaulted loan pursuant to Alaska Statutes 14.43.145 and 43.23.067. To do so, the Commission issues certified claim letters to all borrowers of defaulted loans applying for PFDs, notifying them of the Commission's claim. The Commission has seizure priority over all other executors except State child support enforcement and any court ordered restitution. There is no assurance that any particular borrower will apply or qualify for a PFD payment.

PFD seizures collected by the Commission were approximately \$3,400,000 and \$4,900,000 for the years ended June 30, 2005 and 2004, respectively.

The Legislature and the Governor have, from time to time, considered various alternative measures including reducing or restricting the size of the PFD. The Corporation cannot predict whether any such measure will be enacted or the impact any such measure would have on loan collections through PFD seizures.

(d) ***General***

The education loan program has traditionally been the subject of legislative action by the State. The laws governing the program have been amended from time to time and will continue to be the subject of legislative proposals calling for further amendment. The effect, if any, on the program cannot be determined.

The Corporation is subject to interest rate risk relating to its variable rate bonds and the loans funded with bond proceeds. The bonds are subject to an interest rate cap of 14% while the loans are subject to an interest rate cap of 8.25% to 9.5% depending on the loan type. The Corporation has various strategies available to manage the risk that the bond rate may rise above the loan rate cap.

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June 30, 2005 and 2004

(12) **Subsequent Events**

- (a) On July 1, 2005 the Corporation will call all outstanding Series 1995 A Bonds at par in the amount of \$15,900,000.
- (b) On July 28, 2005 the Corporation will issue \$58,250,000 of Education Loan Revenue Bonds, Senior 2005 Series A to finance education loans. The bonds will be issued with fixed rates ranging from 4% to 5%.

THE MASTER INDENTURE

Certain provisions of the Master Indenture relating to the 2006 Bonds are governed (including in the event of conflict) by the Fifth Supplemental Indenture.

ALASKA STUDENT LOAN CORPORATION

and

ZIONS FIRST NATIONAL BANK

INDENTURE

Dated as of June 1, 2002

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THIS INDENTURE, made and entered into as of June 1, 2002, by and between the ALASKA STUDENT LOAN CORPORATION, a public corporation and government instrumentally created and existing under the laws of the State of Alaska (herein called the "Corporation" or the "Issuer"), and ZIONS FIRST NATIONAL BANK, a national banking association organized and existing under the laws of the United States, as Trustee (herein called the "Trustee").

WITNESSETH:

WHEREAS, the Corporation is authorized by the Act (as herein defined) to issue its bonds for the purpose of providing funds to acquire Education Loans (as defined herein); and

WHEREAS, the Corporation has determined to enter into this Indenture with the Trustee to secure its Bonds (as herein defined) as the Corporation may elect to issue such Bonds from time to time in accordance with the terms of this Indenture and of any Supplemental Indenture executed pursuant to this Indenture; and

WHEREAS, the Bonds shall be special, limited obligations of the Corporation, and the principal and redemption premium, if any, of and interest on the Bonds shall be payable solely from the Trust Estate (as defined herein), subject to the provisions of this Indenture authorizing the Corporation to create security interests in said Trust Estate in favor of Credit Enhancement Agencies (as defined herein) and counterparties to Interest Rate Exchange Agreements and, further, subject to the provisions of this Indenture authorizing the Corporation to create Classes (as defined herein) and to grant security interests in the Trust Estate that are prioritized based upon such Classes; and

WHEREAS, in connection with the issuance of any Bonds, the Corporation may obtain Credit Enhancement or enter into Interest Rate Exchange Agreements (as such terms are defined herein) and may secure its obligations under such Credit Enhancement or Interest Rate Exchange

Agreements by a pledge of the Trust Estate described below, and such pledge may be of a priority less than, equal to, or greater than the pledge of the Trust Estate to any class or Series of Bonds; and

WHEREAS, the time of issuance of any Series of Bonds, the form of Bonds, and other relevant terms of Bonds are to be specified in the Supplemental Indenture pertaining to such Bonds; and

WHEREAS, the execution and delivery of this Indenture have been authorized by Resolution 2002-01 of the Corporation, a certified copy of which has been delivered to the Trustee; and

WHEREAS, all things necessary to make the Bonds, when authorized pursuant to a duly adopted Supplemental Indenture and authenticated by the Trustee and issued as in this Indenture provided, the valid, binding and legal special, limited obligations of the Corporation according to the import thereof, and to constitute this Indenture a valid pledge and assignment of the Trust Estate to the payment of the principal or redemption price, if any, of and interest on the Bonds and all other amounts due in connection therewith (subject to the provisions of this Indenture authorizing the Corporation to create a security interest in the Trust Estate in favor of Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements) have been done and performed, and the creation, execution and delivery of this Indenture and the creation, execution and issuance of the Bonds subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, KNOW ALL PERSONS BY THESE PRESENTS

GRANTING CLAUSES

That the Corporation, in consideration of the premises and the acceptance by the Trustee of the trusts hereby created and of the purchase and acceptance of the Bonds by the Bondholders, and for good and valuable consideration, the receipt of which is hereby acknowledged, and in order to secure the payment of the principal or Redemption Price, if any, of and interest on the Bonds and the obligations of the Corporation arising under any Credit Enhancement facility and any Interest Rate Exchange Agreement (but only if and to the extent that the Corporation expressly grants a security interest under this Indenture in favor of such Credit

Enhancement facility or Interest Rate Exchange Agreement in the Supplemental Indenture authorizing the Bonds to which such Credit Enhancement facility or Interest Rate Exchange Agreement relates), all according to their tenor and effect and all other amounts due in connection therewith and the performance and observance by the Corporation of all the covenants expressed or implied herein and in the Bonds, in such Credit Enhancement facilities, and in such Interest Rate Exchange Agreements, does hereby grant, bargain, sell, convey, pledge and assign unto, and grant a first priority security interest in and to the Trustee, and unto its respective successors in trust, and to their respective assigns, forever, for the securing of the performance of the obligations of the Corporation hereinafter set forth, the following (herein, the "Trust Estate"):

I.

The Pledged Loans, Pledged Receipts, and Pledged Loan Notes (all as the same are defined herein) including all extensions and renewals of the term thereof, if any, together with all right, title and interest of the Corporation therein, including, but without limiting the generality of the foregoing, the present and continuing right to claim, collect and receive any of the moneys, income, revenues, issues, profits and other amounts payable or receivable thereunder, to bring actions and proceedings thereunder or for the enforcement thereof, and to do any and all things which the Corporation is or may become entitled to do under the Pledged Loan Notes; provided, however, that the foregoing pledge is subject to the Corporation's right to modify the terms of, or to take other actions which may affect, the Pledged Loans, Pledged Receipts, and Pledged Loan Notes pursuant to Section 707 herein.

II.

All Funds and Accounts (except any Credit Enhancement Fund) and moneys and investments therein including, but not limited to, undisbursed proceeds of Bonds and amounts held under the Custodian/Depository/Servicing Agreement;

III.

Any and all service or support agreements by and between the Corporation and either the Alaska Commission on Postsecondary Education or the Student Financial Aid Committee of said Commission, including without limitation the

agreement governing the administration of the Education Loan Trust Fund established in the Corporation by the Act; provided, however, that notwithstanding the introductory paragraph to these Granting Clauses the security interest created in this Clause III is second to, and subject to the prior lien of, the Corporation's Indenture dated as of May 1, 1988;

IV.

All moneys and securities from time to time held by the Trustee under the terms of this Indenture (except moneys and securities in any Credit Enhancement Fund) and any and all other real or personal property of every name and nature concurrently herewith or from time to time hereafter by delivery or by writing of any nature conveyed, mortgaged, pledged, assigned or transferred as and for additional security under this Indenture for the Bonds, to the extent so conveyed, mortgaged, pledged, assigned or transferred by the Corporation or by anyone in its behalf, or with its written consent, to the Trustee, which is hereby authorized to receive any and all such property at any and all times and to hold and apply the same subject to the terms hereof; and

V.

Any and all proceeds of the foregoing, subject, in all cases, to the terms and provisions of this Indenture governing the use and application of all such property and rights in property including the Corporation's right to withdraw, free and clear of the lien of this Indenture, Pledged Loans, cash and other property held hereunder or credited hereto subject to the requirements hereof;

TO HAVE AND TO HOLD all and singular the Trust Estate, whether now owned or hereafter acquired, unto the Trustee and its respective successors and assigns in trust forever to its and their own proper use and behalf but;

IN TRUST NEVERTHELESS, upon the terms and trusts herein set forth for the equal and proportionate benefit, security and protection of all present and future owners of the Bonds from time to time issued and to be issued under and secured by this Indenture without privilege, priority or distinction as to the lien or otherwise of any of the Bonds except to the extent that any privilege, priority, or distinction may be created pursuant to the terms of this Indenture with respect to the creation of Classes (as defined herein);

PROVIDED, HOWEVER, that if the Corporation, its successors or assigns, shall well and truly pay, or cause to be paid, the principal or Redemption Price, if any, of and interest on, the Bonds due or to become due thereon, and all other amounts due thereunder, at the times and in the manner mentioned in the Bonds according to their tenor and in accordance herewith, and shall cause the payments to be made on the Bonds as required under Article VII hereof, or shall provide, as permitted hereby, for the payment thereof, and shall well and truly keep, perform and observe all the covenants and conditions pursuant to the terms of this Indenture to be kept, performed and observed by it, and shall pay or cause to be paid to the Trustee all sums of money due or to become due to it in accordance with the terms and provisions of this Indenture, then upon the final payment thereof this Indenture and the rights hereby granted shall cease, terminate and be void; otherwise this Indenture to be and remain in full force and effect.

THIS INDENTURE OF TRUST FURTHER WITNESSETH, and it is expressly declared, that all Bonds issued and secured hereunder are to be issued, authenticated and delivered and all of the property, rights and interests, including, without limitation, the loan payments and other amounts hereby assigned and pledged are to be dealt with and disposed of under, upon and subject to the terms, conditions, stipulations, covenants, agreements, trusts, uses and purposes as hereinafter expressed, and the Corporation has agreed and covenanted, and does hereby agree and covenant with the Trustee and with the respective holders of the Bonds as follows:

ARTICLE I DEFINITIONS AND INTERPRETATIONS

Section 101 - Definitions. In this Indenture, unless the context otherwise requires, the following words and terms shall have the meanings set forth in this Section:

"Account" shall mean one of the special accounts created and established pursuant to Section 501 or Section 510 of this Indenture.

"Accountant" shall mean a certified public accountant or firm of independent certified public accountants selected by the Corporation and may be the accountant or firm of accountants that regularly audits the books of the Corporation.

"Act" shall mean Sections 14.42.100 through 14.42.990 of the Alaska Statutes, as amended.

"Additional Bonds" shall mean Bonds other than the first series of Bonds authenticated and delivered under this Indenture.

"Authorized Newspaper" shall mean a newspaper or financial journal printed in the English language and customarily published (except in the case of legal holidays) at least once a day for at least five days in each calendar week, which is of general circulation in the Borough of Manhattan, City and State of New York.

"Authorized Officer" shall mean the Chairman or Executive Officer of the Corporation and, in the case of an act to be performed or a duty to be discharged, any member, officer or employee of the Corporation then authorized by the Chairman or Executive Officer or by action of the Board of Directors of the Corporation to perform such act or discharge such duty.

"Bond" shall mean one of the bonds, notes, or other evidences of indebtedness authenticated and delivered under this Indenture.

"Bond Counsel" shall mean any firm of attorneys selected by the Corporation and acceptable to the Trustee that is recognized nationally as expert in the area of municipal finance and tax-exempt obligations.

"Bondholder" or "holder" or words of similar import, when used with reference to a Bond or Bonds, shall mean any person who shall be the registered owner of any Outstanding Bond or Bonds issued in fully registered form or the bearer of any Bond or Bonds issued in bearer form or registered to bearer.

"Bond Payment Date" shall mean any day on which interest, principal, redemption premium or any other payment on a Bond is required to be made, whether at maturity, redemption or otherwise.

"Bond Year" shall mean the twelve-month period beginning on July 1 of any year (but not including any year in which there are no Bonds or Parly Obligations outstanding) and ending on June 30 of the following year.

"Business Day" shall mean any day other

than a Saturday or Sunday or any other day on which banks in New York, Alaska, or the state or states in which any Trustee appointed hereunder performs its duties hereunder are authorized or required to be closed or are closed.

"By Class in Descending Order of Priority" shall mean that any action to be so taken shall be taken first with respect to the Bonds that are designated as the highest priority Class of Bonds Outstanding until there is no such action required for such Bonds and then such action shall be taken for each lower priority Class of Bonds Outstanding in order until such action shall no longer be required for each such Class.

"Capital Reserve Fund" shall mean the capital reserve fund created pursuant to Section 501 and described as such under the Act.

"Capital Reserve Requirement," with respect to any Series or Class of Bonds, shall have the meaning provided in the Supplemental Indenture authorizing the issuance of such Bonds.

"Certificate" shall mean a signed document either attesting to or acknowledging the circumstances, representations or other matters therein stated or set forth or setting forth matters to be determined by an Authorized Officer pursuant to this Indenture.

"Class" shall mean one or more Series of Bonds, Credit Enhancement facilities, and Interest Rate Exchange Agreements having the same security interest with respect to the Trust Estate.

"Code" shall mean the Internal Revenue Code of 1986, as amended.

"Commission" shall mean the Alaska Commission on Postsecondary Education.

"Continuing Disclosure Agreement" shall mean, for each Series, the continuing disclosure certificate or agreement, if any, executed by the Corporation for the purpose of satisfying the continuing disclosure requirements of Rule 15c2-12 of the Securities and Exchange Commission with respect to such Series, as such continuing disclosure certificate or agreement is originally executed and as it may be amended from time to time in accordance with its terms.

"Corporation" shall mean the Alaska Student Loan Corporation, a public corporation and

government instrumentality created and existing pursuant to the Act.

"Costs of Issuance" shall mean all items of expense directly or indirectly payable or reimbursable by or to the Corporation and related to the authorization, sale, or issuance of Bonds, including, but not limited to, printing costs; costs of preparation and reproduction of documents; filing and recording fees; initial fees and charges of any Fiduciary and its counsel; legal fees and charges; underwriting compensation; placement agent compensation; fees and disbursements of consultants and professionals; costs of credit ratings; fees and charges of any Credit Enhancement Agency in connection with providing Credit Enhancement for any of the Bonds; fees and charges for preparation, execution, transportation and safekeeping of Bonds; costs and expenses of refunding; premiums for the insurance of the payment of Bonds; and any other cost, charge or fee in connection with the original issuance of Bonds.

"Counsel's Opinion" shall mean an opinion signed by an attorney or firm of attorneys of nationally recognized standing in the field of law relating to state and municipal financing (who may be counsel to the Corporation) selected by the Corporation and acceptable to the Trustee.

"Credit Enhancement" shall mean a letter of credit, a line of credit, a credit facility, a surety bond, bond insurance, or any other instrument or arrangement obtained in connection with the issuance of a Series of Bonds to further secure the payment of the Bonds of such Series or the payment of any Pledged Loans.

"Credit Enhancement Agency" shall mean any bank or other institution that provides Credit Enhancement.

"Credit Enhancement Fund" shall mean a Fund or Account authorized to be created by the Corporation under Section 510(B) for the purposes of holding and disbursing the proceeds of, or holding only, Credit Enhancement.

"Custodian/Depository/Servicing Agreement" shall mean that certain agreement with respect to custody of a portion of the Trust Estate by and among the Corporation, the Trustee, and the State through the Commission and through its Department of Revenue, dated June 1, 2002.

"Debt Service" shall mean, for a Series of Bonds Outstanding and for any Parity Obligations Outstanding, the scheduled amount of interest and Principal Installments payable on the Bonds of such Series or on such Parity Obligations (or substantially equivalent payments due on Parity Obligations) during the period of computation.

"Default Payment" shall mean all amounts (in any form) received by the Corporation, by the Trustee acting on behalf of the Bondholders, or by any agent of either of them as a result of the acceleration of the due date of any Pledged Loan because of an event of default with respect to such Pledged Loan.

"Depository" shall mean the State or any bank or trust company or national banking association selected by the Trustee or the Corporation as a depository of moneys or securities held under the provisions of this Indenture, and may include the Trustee, if such party agrees to hold such money or securities as an agent of the Trustee.

"Education Loan" shall mean a loan, including but not limited to Guaranteed Loans, that is authorized by the Act or any other qualifying program that may be established by or for the Commission or the Corporation or an entity controlled by either of them as any such program may be administered from time to time by the Commission or the Corporation or such entity; provided, however, that if any change is made to the Education Loan Program as it exists on the date hereof or if any new program is established by or under the Act, "Education Loan" shall not include any loan purchased or financed under the Education Loan Program, as so changed, or under any such new program unless the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such change or such new program.

"Education Loan Fund" shall mean the Education Loan Fund established within the Master Education Loan Revenue Bond Account pursuant to Section 501.

"Education Loan Program" shall have the meaning set forth in Section 204.

"Education Loan Trust Fund" shall mean the special revolving trust fund of the Corporation created and established by the Act.

"Event of Default" shall mean any of the

events specified in clauses (1) through (7) of Section 1002.

"Excess Coverage" shall mean, as of any date of calculation, and except as otherwise provided in a Supplemental Indenture, the amount by which the sum of the value of (a) the Education Loans (valued at par plus accrued interest and accrued Special Allowance Payments, as such term is defined in the Higher Education Act, if any) credited to the Education Loan Fund and (b) all cash and Investment Securities held in the Funds and Accounts (valued as set forth herein or in the pertinent Supplemental Indenture, plus accrued interest, but excluding amounts irrevocably set aside to pay particular Bonds pursuant to Section 1201) shall exceed all of the following sums taken individually and not as an aggregate: (x) 107% of the sum of the principal and accrued interest on all Outstanding Class I Bonds; and (y) 101.5% of the sum of the principal of and accrued interest on all Outstanding Bonds; all as evidenced in a Certificate, upon which the Trustee may conclusively rely.

"Fiduciary" shall mean the Trustee or any Paying Agent or any Co-Paying Agent or Co-Registrar for the Bonds or any Series of Bonds.

"Fund" shall mean one of the special trust funds established pursuant to Section 501(A) or Section 510.

"Guaranteed Loan" shall mean (i) any Education Loan that is guaranteed under the Higher Education Act; if the Higher Education Act is reauthorized or amended and the terms or characteristics of loans guaranteed under the Higher Education Act following such reauthorization or amendment, including but not limited to terms and characteristics relating to loan benefits and servicing, are materially different than they were before such reauthorization or amendment, then "Guaranteed Loan" shall mean an Education Loan guaranteed under the Higher Education Act as so reauthorized or amended only if there has been filed with the Trustee a Rating Confirmation that takes into consideration such change in terms or characteristics; and (ii) any Education Loan that is guaranteed under any other federal law, but only if a Rating Confirmation is filed with the Trustee taking into consideration the guarantee under such other federal law.

"Guarantor" shall mean any entity which has entered into an agreement with the Corporation

to guarantee education loans under the Higher Education Act or other federal law and has entered into an agreement with the Secretary for reinsurance of its guarantees of education loans.

"Higher Education Act" shall mean Title IV of the Higher Education Act of 1965, as amended, or any successor federal act, and the regulations, directives, bulletins, and guidelines promulgated thereunder.

"Indenture" shall mean this Indenture as from time to time amended and supplemented in accordance with the terms hereof.

"Interest Payment Date" shall mean any date upon which interest on any Bonds is payable in accordance with the terms of the Bonds and the terms of this Indenture or any Supplemental Indenture.

"Interest Rate Exchange Agreement" shall mean a contract entered into by the Corporation or by the Trustee on behalf of the Corporation providing for an interest rate cap, floor, or swap with respect to any Bonds or Pledged Loans.

"Investment Securities" shall have the meaning, with respect to any Class, set forth in any of the Supplemental Indentures authorizing a Series of Bonds of such Class if any of the Bonds of such Class and Series are Outstanding at the time of reference, provided that if more than one Series of Bonds of a particular Class has Bonds Outstanding and the meanings in the Supplemental Indentures are different, Investment Securities shall mean only those investments appearing in both or all Supplemental Indentures for Bonds of such Series and Class (in the determination of the Trustee, which shall be conclusive).

"Moody's" shall mean Moody's Investors Service Inc.

"Original Purchaser" shall mean with respect to each Series the first purchaser or purchasers of the Bonds of such Series from the Corporation.

"Outstanding", when used with reference to Bonds, shall mean, as of any date, all Bonds theretofore or thereupon being authenticated and delivered under this Indenture except:

- (1) Any Bonds canceled by the Corporation or the Trustee at or prior to

such date;

- (2) Bonds (or portions of Bonds) for the payment or redemption of which there shall be held in trust hereunder and set aside moneys or Investment Securities which represent or are secured by the full faith and credit of the United States of America, which are not subject to redemption prior to the dates on which amounts will be needed to make payments and the principal of and interest on which when due will provide moneys which, together with the moneys, if any, deposited at the same time, will be sufficient to pay the principal or Redemption Price thereof, as the case may be, with interest to the date of maturity or redemption date on such Bonds (or portions of Bonds) and, if such Bonds are to be redeemed, for which notice of such redemption shall have been given as provided in Article VI or provisions satisfactory to the Trustee shall have been made for the giving of such notice;

- (3) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered pursuant to this Indenture; and

- (4) Bonds deemed to have been paid as provided in subsection (B) of Section 1201.

"Parity Obligations" shall mean bonds, notes, or other obligations so described in Section 209(A) hereof and issued under or secured by a Parity Obligation Instrument.

"Parity Obligation Instrument" shall mean the indenture, resolution, or other instrument securing any Parity Obligation and under which the Parity Obligation was issued.

"Paying Agent" shall mean any bank or trust company, which may include the Trustee, designated by the Corporation as paying agent or co-paying agent for the Bonds of any Series, and its or their successor or successors hereafter appointed in the manner herein provided.

"Permitted Spread" shall mean the maximum spread between the yield on the Bonds of a Series and the yield on the Education Loans financed with proceeds of, or, under the Code or

the Regulations, allocable to, the Series permitted under the Code and the Regulations without adversely affecting the tax-exempt status of such Bonds.

"Pledged Loan" shall mean any Education Loan held in or credited to the Education Loan Fund under this Indenture.

"Pledged Loan Note" shall mean the promissory note or other documentation evidencing a Pledged Loan.

"Pledged Receipts" shall mean (i) all amounts, including principal and interest payments, paid or payable or otherwise received under or pursuant to or with respect to any Pledged Loan (monthly or otherwise) including, without limitation, both timely and delinquent payments with late charges, fees and charges, special allowance payments, insurance or guaranty payments, subsidy payments, and all other revenues and income paid to the Trustee, the Corporation, or any agent of either on account of or in connection with any Pledged Loan, (ii) all Recoveries of Principal, and (iii) all interest paid or payable or any gain realized upon the investment or deposit of amounts in any Fund or Account, but shall not include any amount retained by any Servicer of any Pledged Loan (other than the Corporation, the Commission, or any related entity) as compensation for services rendered.

"Prepayment" shall mean any amount received or recovered as a prepayment of the principal amount of any Pledged Loan, including any prepayment penalty, fee, premium or other such additional charge, less the amount retained by any Servicer of such Pledged Loan, other than the Corporation, as additional compensation resulting from such prepayment.

"Principal Installment" shall mean, as of any date of calculation and with respect to the Outstanding Bonds of any Series, (i) the principal amount of such Bonds which are due on a certain future date, reduced by the aggregate principal amount of such Bonds which would be retired by reason of the payment when due and application in accordance with this Indenture of Sinking Fund Payments payable before such future date for the retirement of such Bonds or (ii) the unsatisfied balance, determined as provided in subsection 505(E), of any Sinking Fund Payment due on a certain future date for such Bonds, plus the aggregate amount of the premiums, if any,

which would be applicable on such future date upon the redemption of such Bonds by application of such Sinking Fund Payments in a principal amount equal to said unsatisfied balance or (iii) if such future dates coincide as to different Bonds of such Series, the sum of such principal amount of Bonds, unsatisfied balance and applicable premiums, if any or (iv) for any particular Series of Bonds the amount specified in the Supplemental Indenture authorizing such Series of Bonds.

"Principal Installment Date" shall mean any date upon which a Principal Installment is payable on any Bond in accordance with its terms and the terms of this Indenture.

"Program Expenses" shall mean all the Corporation's expenses in carrying out and administering its Education Loan Program, insofar as they are fairly allocable to all Pledged Loans, and in servicing the Pledged Loans; "Program Expenses" shall include, without limiting the generality of the foregoing, expenses incurred in the collection of Education Loans; salaries, supplies, utilities, mailing, labor, materials, office rent, maintenance, furnishings, equipment, machinery and apparatus; insurance premiums; legal, accounting, management, consulting and banking services and expenses; the fees and expenses of the Trustee and its agents and counsel; the fees and expenses of Depositories and Paying Agents; Costs of Issuance not paid from proceeds of Bonds; and payments for pension, retirement, health and hospitalization and life and disability insurance benefits, all to the extent properly allocable to the Education Loan Program insofar as they are fairly allocable to Pledged Loans.

"Rating Agency" shall mean any securities rating agency but only if and during the times that such agency shall have assigned, at the request of the Corporation or in connection with any Credit Enhancement obtained by the Corporation, and have in effect a rating for any of the Outstanding Bonds.

"Rating Confirmation" shall mean a letter from each Rating Agency then providing a rating for any Bonds confirming that the action proposed to be taken will not, in and of itself, have the effect of (i) reducing or withdrawing the rating then applicable to those Bonds if those Bonds are not secured by Credit Enhancement which requires the ratings on the Bonds to be maintained at a certain minimum rating, or (ii) if those Bonds are secured

by Credit Enhancement which requires that the ratings on the Bonds (without regard to Credit Enhancement) be maintained at a certain minimum rating, reducing their rating to a rating below such minimum rating without regard to the rating of the Credit Enhancement Agency or withdrawing the rating.

"Record Date" shall have the meaning set forth in the Supplemental Indenture authorizing the particular Series of Bonds.

"Recoveries of Principal" shall mean all amounts received by the Corporation as a recovery of the principal amount of any Pledged Loan, including any Default Payment, Prepayment or Sale Payment.

"Redemption Date" shall mean the date on which any Bonds are subject to redemption.

"Redemption Account" shall mean the Redemption Account of the Revenue Fund established pursuant to Section 501.

"Redemption Price" shall mean, with respect to any Bond, the principal amount thereof plus the applicable premium, if any, payable upon redemption thereof pursuant to the provisions of such Bond or this Indenture.

"Refunding Bonds" shall mean all Bonds, whether issued in one or more Series, authenticated and delivered on original issuance for the purpose of refunding Bonds or other obligations of the Corporation and all Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for such Bonds pursuant to this Indenture.

"Registrar" shall mean the person or entity responsible for maintaining the registration books of the Corporation with respect to the Bonds.

"Regulations" shall mean temporary and permanent regulations promulgated under the Code.

"Revenue Fund" shall mean the Revenue Fund established pursuant to Section 501.

"Sale Payment" shall mean any amount received by the Corporation from the sale, assignment, endorsement or other disposition of any Pledged Loan, except Prepayments or Default Payments; provided that withdrawal of a Pledged

Loan pursuant to Section 502(G) shall not be considered a disposition leading to a Sale Payment.

"Secretary" shall mean the Secretary of the United States Department of Education.

"Series" shall mean all the Bonds authenticated and delivered on original issuance pursuant to a Supplemental Indenture and designated as a Series therein and any Bonds thereafter authenticated and delivered upon the transfer or exchange of or in lieu of or in substitution for (but not to refund) such Bonds as herein provided, regardless of variations in maturity, interest rate, Sinking Fund Payments, or other provisions.

"Series Account" shall mean, for each Series, the Series Education Loan Account established for such Series pursuant to Section 502.

"Servicer" shall mean the Corporation, the Commission, or, if there has been filed with the Trustee a Rating Confirmation reflecting the servicing of any Pledged Loan by another institution pursuant to a Servicing Agreement, any such institution.

"Servicing Agreement" shall mean a contractual agreement of the Corporation with a Servicer other than the Corporation for the servicing of Pledged Loans by the Servicer.

"Sinking Fund Installment" shall mean, as of any particular date of calculation and with respect to the Outstanding Bonds of any Series, the amount required to be paid at all events by the Corporation on a single future date for the retirement of Bonds of such Series which mature after said future date, but does not include any amount payable by the Corporation by reason only of the maturity of a Bond.

"S&P" shall mean Standard & Poor's Corporation.

"State" shall mean the State of Alaska.

"Subordinate Obligations" shall mean bonds, notes, or other obligations described in Section 209(B).

"Supplemental Indenture" shall mean an indenture supplemental to or amendatory of this Indenture, executed by the Corporation and

effective as provided in Article VIII.

"Surplus Revenues" shall mean, first, amounts held at any time in the Revenue Fund and described in Paragraph Eighth of Section 503(C) hereof and, second, amounts held in any Unallocated Account within the Education Loan Fund; provided, however, that the Corporation may reverse the foregoing order of priority in determining, or eliminate specified amounts from being considered as, Surplus Revenues by a written direction to the Trustee.

"Trustee" shall mean the trustee appointed pursuant to Article XI and any successor or successors to it or any other person at any time substituted in its place pursuant to this Indenture.

"Trust Estate" shall have the meaning provided in the Granting Clauses of this Indenture.

"Unallocated Account" shall mean an Unallocated Account within the Education Loan Fund established pursuant to Section 501.

"Yield Reduction Payment" shall mean the minimum amounts payable to the United States Treasury as described in Treas. Reg. §1.148-5(c).

Section 102 - Interpretations. (A) In this Indenture, unless the context otherwise requires:

(1) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture;

(2) The terms "hereby", "hereof", "hereto", "herein", "hereunder" and any similar terms, as used in this Indenture, refer to this Indenture, and the term "hereafter" shall mean after, and the term "heretofore" shall mean before, the date of its execution:

(3) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa;

(4) Words importing persons shall include firms, associations, partnerships (including limited

partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(5) Words importing the redemption or redeeming of a Bond or the calling of a Bond for redemption do not include or connote the payment of such Bond at its stated maturity or the purchase of such Bond;

(6) Any headings preceding the texts of the several Articles and Sections of this Indenture, and table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect;

(7) If a Supplemental Indenture authorizes coupon Bonds it shall make provisions for publication of notices required to be mailed hereafter in an Authorized Newspaper. The notices shall be published and contain the same information as notices required to be mailed. If, because of the temporary or permanent suspension of the publication or general circulation of all Authorized Newspapers or for any other reason, it is impossible or impractical to publish any notice pursuant to this Indenture in the manner herein provided, then such publication in lieu thereof as shall be made with the approval of the Trustee shall constitute a sufficient publication of such notice;

(8) Unless otherwise determined by the Corporation, any Education Loan financed by application of amounts in any Series Account shall be deemed to have been financed by application of amounts relating to the Series of Bonds for which such Fund was established (and first by proceeds of such Series of Bonds) or shall be deemed to have been financed proportionately by application of amounts relating to one or more Series to the extent that such Education Loan has been financed by application of amounts in more than one Series Account;

(9) The date upon which any Sinking Fund Payment is required to be paid pursuant to the Supplemental Indenture authorizing the issuance and delivery of a Series of Bonds shall be deemed to be the date upon which such Sinking Fund Payment is payable and the Outstanding Bonds of such Series to be retired by application of such Sinking Fund Payment shall be deemed to be the Bonds entitled to such Sinking Fund Payment;

(10) With respect to any Bond that bears interest at a stated rate, compounded periodically, first payable (i) at maturity or prior redemption or (ii) commencing as of a date more than one year after the initial authentication and delivery thereof, for all purposes of this Indenture and of any Supplemental Indenture adopted pursuant to this Indenture, unless the context or the related Supplemental Indenture otherwise requires, the "principal amount" of such Bond as of any date of calculation shall be deemed to be equal to the sum of (x) the stated principal amount of such Bond upon original issuance plus (y) an amount equal to interest thereon accrued (and not currently payable) and compounded at the applicable rate to the Bond Payment Date or other date specified in the related Supplemental Indenture which most immediately precedes or corresponds to the date of calculation;

(11) This Indenture shall be governed by and construed in accordance with the applicable laws of the State;

(12) Any requirement for amounts to be deposited in any Fund or Account shall be considered satisfied upon the crediting of such amounts to such Fund or Account; and

(13) Any requirement herein or in any Supplemental Indenture for the payment of any money or the taking of any other action on a particular date may, unless otherwise specifically required, be taken on the Business Day following such date if such date is not a Business Day and such requirement shall thereupon be satisfied with the same effect as if the payment was made or the action taken on

the date required.

(B) Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give to, any person, other than the Corporation, the Fiduciaries, the Credit Enhancement Agencies and the counterparties to Interest Rate Exchange Agreements to which the Corporation has expressly granted an interest herein and then only to the extent of that interest, and the holders of the Bonds any right, remedy or claim under or by reason of this Indenture or any covenant, conditions or stipulation thereof. All the covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Corporation shall be for the sole and exclusive benefit of the Corporation, the Fiduciaries, such Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements, and the holders of the Bonds.

Section 103 - Severability of Invalid Provisions. If any one or more of the covenants or agreements provided in this Indenture on the part of the Corporation or any Fiduciary to be performed should be contrary to law, then such covenant or covenants or agreement or agreements, shall be deemed separable from the remaining covenants and agreements hereof, and shall in no way affect the validity of the other provisions of this Indenture or of the Bonds.

ARTICLE II AUTHORIZATION, OBLIGATION AND ISSUANCE OF BONDS

Section 201 - Authorization for Indenture. This Indenture is authorized and executed by virtue of and pursuant to the provisions of the Act. The Corporation has ascertained and hereby determines and declares that execution of this Indenture is necessary to carry out the powers and duties expressly provided by the Act, that each and every act, matter, thing or course of conduct as to which provision is made herein is necessary or convenient in order to carry out and effectuate the purposes of the Corporation in accordance with the Act and to carry out powers expressly given in the Act and that each and every covenant or agreement herein contained and made is necessary, useful or convenient in order to better secure the Bonds and are contracts or agreements necessary, useful and convenient to carry out and effectuate the corporate purposes of the Corporation under the Act.

Section 202 - Indenture to Constitute Contract. In consideration of the purchase and acceptance of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Corporation with the holders of Bonds and shall be deemed to be and shall constitute a contract between the Corporation, the Trustee and the holders from time to time of the Bonds. The pledge hereof and the provisions, covenants and agreements herein set forth to be performed by or on behalf of the Corporation shall be for the benefit, protection and security of the holders of any and all of such Bonds. Each Bond, Credit Enhancement facility, and Interest Rate Exchange Agreement of a Class, regardless of the time or times of its issue or maturity, shall be of equal rank without preference, priority or distinction over any other Bond, Credit Enhancement facility, or Interest Rate Exchange Agreement of such Class except as expressly provided in this Indenture.

Section 203 - Obligation of Bonds. This Indenture creates an issue of bonds of the Corporation and creates a continuing pledge and lien to secure the full and final payment of the principal or Redemption Price of and interest on such bonds, and any Sinking Fund Installments for the retirement thereof. The Bonds shall be special, limited obligations of the Corporation, and the principal or Redemption Price, if any, thereof and the interest thereon shall be payable solely from the Trust Estate, subject to the provisions of Section 510(D) hereof authorizing the Corporation to create a security interest in the Trust Estate in favor of Credit Enhancement Agencies and counterparties to Interest Rate Exchange Agreements. The Bonds shall contain on their face a statement that neither the faith and credit nor the taxing power of the State or of any political subdivision of the State is pledged to the payment of the principal thereof or the interest thereon.

Section 204 - Authorization of Bonds. In order to provide sufficient funds for the Corporation's program of financing or purchasing Education Loans pursuant to the Act (the "Education Loan Program"), bonds of the Corporation are hereby authorized to be issued from time to time without limitation as to amount except as herein provided or as may be limited by law, and such bonds shall be issued subject to the terms, conditions and limitations established in this Indenture and in one or more Series and in such Classes as hereinafter provided.

Section 205 - Issuance and Delivery of Bonds: Classes of Obligations. (A) After their authorization by a Supplemental Indenture, Bonds of a Series may be executed by or on behalf of the Corporation and delivered to the Trustee for authentication and, upon compliance by the Corporation with the requirements, if any, set forth in such Supplemental Indenture and with the requirements of Section 206 or, in the case of Refunding Bonds, Section 207, the Trustee shall thereupon authenticate and deliver such Bonds to or upon the order of the Corporation.

(B) The Corporation may designate Classes of Bonds and may also include Credit Enhancement facilities and Interest Rate Exchange Agreements in such Classes. Unless otherwise designated, any Bond shall be presumed to be of the highest Class, and such highest Class shall be referred to as "Class I." Lower Classes shall be designated by successive roman numerals. Except as otherwise provided in a Supplemental Indenture relating to any Series or Class of Bonds, the Trustee and the Corporation are obligated to apply the Trust Estate to the payment of amounts due with respect to any Class before applying the Trust Estate to the payment of amounts due with respect to any lower Class.

Section 206 - Conditions Precedent to Delivery of a Series of Bonds. All (but not less than all) the Bonds of a Series (other than Refunding Bonds) shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only upon satisfaction of Section 708 hereof and the receipt by the Trustee of:

(1) A Counsel's Opinion to the effect that (i) the Corporation has the right and power to execute and deliver this Indenture under the Act as amended to the date of such Opinion; (ii) this Indenture has been duly and lawfully executed and delivered by the Corporation, is in full force and effect and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect); (iii) this Indenture creates the valid pledge and assignment which it purports to create of the Trust Estate,

subject to the application thereof to the purposes and on the conditions permitted by this Indenture; (iv) the Bonds of such Series are valid and binding special, limited obligations of the Corporation, enforceable in accordance with their terms and the terms of this Indenture; and (v) the Bonds of such Series have been duly and validly authorized and issued in accordance with the constitution and statutes of the State, including the Act as amended to the date of such Opinion, and in accordance with this Indenture;

(2) A written order as to the delivery of such Bonds, signed by an Authorized Officer;

(3) Either an original of the Supplemental Indenture authorizing such Series or a copy thereof certified by an Authorized Officer, which Supplemental Indenture shall specify:

(a) The authorized principal amount and Series designation of such Bonds; if such Bonds are of a Class lower than Class I, the Supplemental Indenture must include such designation as well;

(b) The purposes for which such Series is being issued, which shall be one or more of the following: (i) the making of deposits into any Fund or Account, (ii) the refunding of any Bonds, or (iii) paying Costs of Issuance;

(c) The date, and the maturity date or dates, of the Bonds of such Series or the method of determining the same;

(d) (i) The interest rate or rates (if any) or maximum interest rate of the Bonds of such Series, or the manner of determining such rate or rates (which may be determinable at one or more specified times set forth in the Supplemental Indenture, which may accrete or compound with such frequencies or in such manner as shall be

specified in such Supplemental Indenture and which shall be as otherwise specified in the Supplemental Indenture), and the Interest Payment Dates and Record Dates therefor and (ii) a manner of calculating accreted value or compounded principal value during all or any part of the term of the Series of Bonds being authorized, if interest is not payable currently and the Corporation determines that it is necessary or appropriate;

(e) The Paying Agent or Paying Agents and the place or places of payment of the principal and Redemption Price, if any, of, and interest on, the Bonds of such Series or the manner of appointing and designating the same;

(f) The Redemption Price or Prices, if any, and, subject to the provisions of Article VI, the redemption terms for the Bonds of such Series;

(g) The amount and due date of each Sinking Fund Installment, if any, for Bonds of like maturity of such Series;

(h) The forms of the Bonds of such Series and of the Trustee's certificate of authentication;

(i) If, at the time of issuance of the Bonds of such Series, an Interest Rate Exchange Agreement will apply to such Bonds or such Bonds are to be secured by Credit Enhancement, the form of Credit Enhancement or Interest Rate Exchange Agreement to be obtained, the identity of the Credit Enhancement Agency or of the counterparty to the Interest Rate Exchange Agreement, and the substantial form of the significant documents relating to the Credit Enhancement or Interest Rate Exchange Agreement;

(j) If Bonds of such Series are to contain any tender or put options or the like, whether such Bonds are to be remarketed and, if so, the identity of any remarketing agent and the substantial form of any remarketing agreement relating to such Bonds;

(k) Whether interest on the Bonds of such Series is intended to be excludible from gross income for federal income tax purposes pursuant to Section 103(a) of the Code or any successor statute thereto;

(l) Any other provisions deemed advisable by the Corporation as shall not conflict with the provisions hereof; and

(m) Such additional matters as may be necessary or appropriate to cause interest on the Bonds of the Series to be issued pursuant to such Supplemental Indenture to be exempt from federal income taxation pursuant to Section 103(a) of the Code if it is intended that interest on the Bonds be so exempt and to prevent the issuance of such Series from adversely affecting the federal income tax treatment of any Outstanding Bonds and the interest thereon intended to be so exempt;

(4) The amount of the proceeds of such Series to be deposited in any Fund or Account held by the Trustee pursuant to Section 401;

(5) A Certificate that no Event of Default or a payment default relating to any Bonds exists or remains uncured or will result from such additional issuance, unless such additional issuance will cure such Event of Default or such payment default.

(6) Such further documents

and moneys as are required by the provisions of Article VIII or any Supplemental Indenture adopted pursuant to Article VIII.

Section 207 - Conditions Precedent to Delivery of a Series of Refunding Bonds. (A) All Refunding Bonds of a Series shall be executed by the Corporation for issuance and delivered to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Corporation or upon its order, but only if the applicable financial tests and other requirements of Sections 208 and 708 hereof are satisfied and only upon the receipt by the Trustee of:

(1) The documents and moneys, if any, referred to in paragraphs (1), (2), (3) and (4) of Section 206;

(2) Either (i) moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued) in an amount sufficient to effect payment at the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, or (ii) direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America which are not subject to redemption prior to the dates on which amounts will be needed to make payments on the Bonds or other obligations to be refunded and the principal of and interest on which when due, together with the moneys (which may include all or a portion of the proceeds of the Refunding Bonds to be issued), if any, contemporaneously deposited with the Trustee, will be sufficient to pay when due the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, which moneys or Investment Securities shall be held by the Trustee or any one or more of the Paying Agents or an escrow agent or trustee for other obligations in a separate account irrevocably in trust for and assigned to the respective holders of the Bonds or other obligations to be refunded; and

(3) Such further documents and moneys as are required by the provisions of Article VIII or any Supplemental Indenture adopted pursuant to Article VIII.

(B) Neither Investment Securities nor moneys deposited with the Trustee or an escrow agent or trustee for other obligations pursuant to paragraph (A) (2) of this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the applicable Redemption Price of the Bonds or other obligations to be refunded, together with accrued interest on such Bonds or other obligations to the redemption date, and any cash received from such principal or interest payments, if not then needed for such purpose, shall, to the extent practicable, be reinvested in such Investment Securities as are described in clause (ii) of said paragraph maturing at times and in amounts sufficient to pay when due the applicable Redemption Price of such Bonds or other obligations, together with such accrued interest.

Section 208 - Requirements for the Issuance of Additional Bonds. Additional Bonds may not be issued unless, in addition to the requirements of Section 206 or Section 207, whichever is applicable, the following requirements are satisfied:

(i) if any Bonds are Outstanding prior to the issuance of the Additional Bonds and will remain Outstanding after the issuance of the Additional Bonds, the Trustee receives a Rating Confirmation taking into consideration the issuance of such Additional Bonds,

(ii) no Event of Default under this Indenture, or payment default with respect to any Bonds, as to which the Trustee has knowledge shall exist and remain uncured (unless the issuance of the Additional Bonds and the application of the proceeds thereof will cure the Event of Default or payment default),

(iii) the Capital Reserve Fund, immediately after the issuance of such Additional Bonds, will be funded to at least the Capital Reserve Requirement, and

(iv) any additional

requirements imposed by a Supplemental Indenture are satisfied.

Section 209 - Parity Obligations; Subordinate Obligations. (A) The Corporation may issue Parity Obligations under instruments other than this Indenture for any lawful purpose of the Corporation, provided that the requirements of this Indenture for the issuance of Additional Bonds would be met if the term "Parity Obligation" were substituted for the term "Additional Bonds" appearing therein and in the defined terms therein (other than any requirement with respect to funding the Capital Reserve Fund) and as if the Parity Obligations were being issued hereunder, and subject to any additional limitations that may be set forth in a Supplemental Indenture authorizing a Series of Bonds. Parity Obligations shall equally and ratably rank with all Bonds, Credit Enhancement facilities, and Interest Rate Exchange Agreements of the same Class as the Parity Obligations except as to the Capital Reserve Fund, in which they shall have no rights whatsoever. Parity Obligations shall be subject to the following additional conditions:

(1) The Trustee shall act as trustee under any Parity Obligation Instrument.

(2) The Parity Obligations must be secured by a lien on any property financed with the proceeds of the Parity Obligations.

(3) If any Parity Obligations are to be secured by any lien, mortgage or security interest on property that is not part of the Trust Estate, the Corporation shall grant a lien, mortgage or security interest on such property (other than any capital reserve fund comparable to the Capital Reserve Fund) to the Trustee as security for the Bonds on a parity with the lien, mortgage or security interest which will secure such Parity Obligations; the Bonds shall share in such security interest by Class.

(4) Any default under or with respect to any Parity Obligation Instrument shall be a default under this Indenture only if and to the extent that a similar event with

respect to a Bond of the same Class as such Parity Obligation would be an Event of Default, and there shall be included in any Parity Obligation Instrument a provision that any Event of Default under this Indenture shall automatically be a default under such Parity Obligation Instrument.

(5) According to the terms of any Parity Obligation or Parity Obligation Instrument, the Trustee shall have substantially the same duties, obligations, rights and remedies in connection with events of default and security for or with respect to the Parity Obligations as it has in connection with Events of Default and the Trust Estate hereunder.

(6) Any Parity Obligation Instrument shall include such other provisions, reasonably satisfactory to the Trustee, as shall be necessary to permit the Trustee to perform any duties and obligations and exercise its rights and remedies under this Indenture and any Parity Obligation Instrument.

If there occurs an Event of Default under this Indenture, including an Event of Default based upon an event of default with respect to a Parity Obligation, and the Trustee applies the Trust Estate to the payment of the Bonds, all collateral held as security by the Trustee for the payment of the Bonds (other than the Capital Reserve Fund), and all collateral held as security for the Parity Obligations (other than any capital reserve fund comparable to the Capital Reserve Fund) shall be applied equally and ratably to the payment of the Bonds and Parity Obligations of the same Class.

(B) The Corporation may issue Subordinate Obligations from time to time under instruments other than this Indenture subject to the conditions set forth below in this Section 209(B) and subject to any additional conditions that may be set forth in a Supplemental Indenture authorizing a Series of Bonds. Subordinate Obligations may be

secured by such assets as may be described in the instrument authorizing the issuance of the Subordinate Obligations, but Subordinate Obligations shall have no security in or pledge or lien on or rights of any kind whatsoever with respect to the Trust Estate that is greater than the security, pledge, lien, or rights of the Bonds of the lowest Class Outstanding.

ARTICLE III GENERAL TERMS AND PROVISIONS OF BONDS

Section 301 - Title and Date of Bonds. Subject to the provisions of Section 303, each Bond shall be entitled "Education Loan Revenue Bond" and shall bear such additional letter or number Series designation as shall be determined in the Supplemental Indenture authorizing the Bonds of the Series of which such Bond is one. The Bonds of each Series shall be dated as of and bear interest from the date specified in the Supplemental Indenture that authorized such Series, which date may be contemporaneous with or prior to or after the date of issuance of such Bonds.

Section 302 - Principal Installment and Interest Payment Dates. The date upon which each Principal Installment with respect to any Bond is payable and the dates upon which interest on such Bond shall be payable shall be specified in the Supplemental Indenture authorizing the Series of which such Bond is a part.

Section 303 - Legends. The Bonds of each Series shall contain or have endorsed thereon a statement to the effect that the State shall not be liable thereon and that such Bond shall not be a debt of the State and may contain or have endorsed thereon such provisions, specifications and descriptive words not inconsistent with the provisions of this Indenture as may be necessary or desirable to comply with custom or otherwise as may be determined by the Corporation prior to delivery thereof.

Section 304 - Place and Medium of Payment. The interest on, and the principal (and premium, if any) of each Bond of any Series shall be payable at the principal or corporate trust office of each Paying Agent appointed or provided for the Bonds of such Series or at such other location and subject to any terms and conditions as may be specified in the Supplemental Indenture authorizing

the Series of which such Bond is a part. Payment of interest on and principal (and premium, if any) of each Bond of any Series shall be made in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts.

Section 305 - Form and Denominations; Payment of Interest. The Bonds of each Series may be issued in the form of fully registered Bonds without coupons or, if the Corporation and the Trustee enter into a Supplemental Indenture to provide necessary terms under Section 801(5), in the form of bearer Bonds with coupons. Interest on Bonds shall be payable to the registered owner thereof as of the applicable Record Date as shown on the registry books of the Corporation kept for such purpose by the Trustee.

Section 306 - Negotiability, Transfer and Registry. (A) Each Bond shall be transferable only upon the books of the Corporation, which shall be kept for the purpose by the Trustee or any co-registrars specified in a Supplemental Indenture, by the registered owner thereof in person or by his attorney duly authorized in writing, upon surrender thereof together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney. Upon the transfer of any such Bond, the Corporation shall issue in the name of the transferee a new Bond or Bonds of the same aggregate principal amount, Series, Class, maturity, and interest rate as the surrendered Bond.

(B) The Corporation and each Fiduciary may deem and treat the person in whose name any Bond shall be registered upon the books of the Corporation as the absolute owner of such Bond, whether such Bond shall be overdue or not, for the purpose of receiving payment of, or on account of, the principal and Redemption Price, if any, of and interest on such Bond and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Corporation nor any Fiduciary shall be affected by any notice to the contrary. The Corporation agrees to indemnify and save each Fiduciary harmless from and against any and all loss, cost, charge, expense judgment or liability incurred by it, acting in good faith and without negligence under this Indenture, in so treating any such registered owner.

Section 307 - Regulations With Respect to Exchanges and Transfers. In all cases in which the privilege of exchanging Bonds or transferring Bonds is exercised, the Corporation shall execute and the Trustee shall authenticate and deliver Bonds in accordance with the provisions of this Indenture. All Bonds surrendered in any such exchanges or transfers shall forthwith be cancelled by the Trustee. For every such exchange or transfer of Bonds, whether temporary or definitive, the Corporation or the Trustee may, as a condition precedent to the privilege of making such exchange or transfer, make a charge sufficient to reimburse it for any tax, fee or other governmental charge required to be paid with respect to such exchange or transfer. Neither the Corporation nor the Trustee shall be required (i) to transfer or exchange Bonds of any Series during the 15 days (or such other period of time as may be specified in the Supplemental Indenture authorizing such Series) next preceding an Interest Payment Date on the Bonds of such Series or next preceding any selection of Bonds of such Series to be redeemed or (ii) to transfer or exchange any Bonds previously called for redemption.

Section 308 - Bonds Mutilated, Destroyed, Stolen or Lost. In case any Bond shall become mutilated or be destroyed, stolen or lost, the Corporation shall execute, and thereupon the Trustee shall authenticate and deliver a new Bond of like Series, Class, maturity and principal amount as the Bond so mutilated, destroyed, stolen or lost, in exchange and substitution for such mutilated Bond, upon surrender and cancellation of such mutilated Bond or in lieu of and substitution for the Bond destroyed, stolen or lost, upon filing with the Trustee evidence satisfactory to the Corporation and the Trustee that such Bond has been destroyed, stolen or lost and proof of ownership thereof, and upon furnishing the Corporation and the Trustee with indemnity satisfactory to them and complying with such other reasonable regulations as the Corporation and the Trustee may prescribe and paying such expenses as the Corporation and Trustee may incur. All Bonds so surrendered to the Trustee shall be cancelled by it. Any such new Bonds issued pursuant to this Section in substitution for Bonds alleged to be destroyed, stolen or lost shall constitute original additional contractual obligations on the part of the Corporation, regardless of whether the Bonds so alleged to be destroyed, stolen or lost be at any time enforceable by anyone, and shall be equally secured by and entitled to equal and proportionate benefits with all other Bonds issued under this

Indenture, in any moneys or securities held by the Corporation or the Fiduciaries for the benefit of the Bondholders.

Section 309 - Preparation of Definitive Bonds, Temporary Bonds. (A) Until the definitive Bonds of any Series are prepared, the Corporation may execute, in the same manner as is provided in Section 311, and, upon the request of the Corporation, the Trustee shall authenticate and deliver, in lieu of definitive Bonds, but subject to the same provisions, limitations and conditions as the definitive Bonds except as to the denominations thereof and as to interchangeability thereof, one or more temporary Bonds substantially of the tenor of the definitive Bonds in lieu of which such temporary Bond or Bonds are issued, in such denominations as may be authorized by the Corporation, and with such omissions, insertions and variations as may be appropriate to temporary Bonds. The Corporation at its own expense shall prepare and execute and, upon the surrender therefor of such temporary Bonds, the Trustee shall authenticate and, without charge to the holder thereof, deliver in exchange therefore, definitive Bonds of the same aggregate principal amount, Series, Class, and maturity as the temporary Bonds surrendered. Until so exchanged the temporary Bonds shall in all respects be entitled to the same benefits and security as definitive Bonds authenticated and issued pursuant to this Indenture.

(B) If the Corporation shall authorize the issuance of temporary Bonds in more than one denomination, the holder of any temporary Bond or Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary Bond or Bonds of like aggregate principal amount, Series, Class, and maturity of any other authorized denomination or denominations, and thereupon the Corporation shall execute and the Trustee shall authenticate and, in exchange for the temporary Bonds or Bonds so surrendered and upon payment of the taxes, fees and charges provided for in Section 307, shall deliver a temporary Bond or Bonds of like aggregate principal amount, Series, Class, and maturity in such other authorized denomination or denominations as shall be requested by such holder.

(C) All temporary Bonds surrendered in exchange either for another temporary Bond or Bonds or for a definitive Bond or Bonds shall be forthwith cancelled by the Trustee.

Section 310 - Cancellation and Destruction

of Bonds. All Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made, and such Bonds, together with all Bonds purchased by the Trustee, shall thereupon be promptly cancelled. Bonds so cancelled may, at any time, be cremated or otherwise destroyed by the Trustee, who shall execute a Certificate of cremation or destruction in duplicate by the signature of one of its authorized officers describing the Bonds so cremated or otherwise destroyed, and one executed Certificate shall be filed with the Corporation and the other executed Certificate shall be retained by the Trustee.

Section 311 - Execution and Authentication. (A) After their authorization by a Supplemental Indenture, Bonds of a Series may be executed by or on behalf of the Corporation and delivered to the Trustee for authentication. The Bonds shall be executed in the name and on behalf of the Corporation by the manual or facsimile signature of the Chairman or Executive Officer of the Corporation, and the corporate seal of the Corporation (or a facsimile thereof) shall be thereunto affixed, imprinted, engraved or otherwise reproduced thereon, and attested by the manual or facsimile signature of any other Authorized Officer, or in such other manner as may be required by law. In case any one or more of the officers or employees who shall have signed or sealed any of the Bonds shall cease to be such officer or employee before the Bonds so signed and sealed shall have been actually delivered, such Bonds may, nevertheless, be delivered as herein provided, and may be issued as if the persons who signed or sealed such Bonds had not ceased to hold such offices or be so employed. Any Bond of a Series may be signed and sealed on behalf of the Corporation by such persons as at the actual time of the execution of such Bond shall be duly authorized or hold the proper office in or employment by the Corporation, although at the date of the Bonds of such Series such persons may not have been so authorized or have held such office or employment.

(B) The Bonds of each Series shall bear thereon a certificate of authentication, in the form set forth in the Supplemental Indenture authorizing such Bond, executed manually by the Trustee or by an agent of the Trustee approved by the Corporation. No Bond shall be entitled to any right or benefit under this Indenture or shall be valid or obligatory shall for any purpose until such certificate of authentication shall have been duly

executed by the Trustee. Such certificate of the Trustee upon any Bond executed on behalf of the Corporation shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered under this Indenture and that the holder thereof is entitled to the benefits hereof.

ARTICLE IV APPLICATION OF BOND PROCEEDS, PLEGGED RECEIPTS, AND OTHER AMOUNTS

Section 401 - Application of Bond Proceeds, Accrued Interest and Premium. (A) The proceeds of sale of the Bonds of each Series shall, except to the extent that such Bonds shall be Refunding Bonds, as soon as practicable upon the delivery of such Bonds by the Trustee pursuant to Section 206, be applied as follows:

(1) The amount, if any, necessary to cause the amount on deposit in the Capital Reserve Fund to equal the Capital Reserve Requirement immediately after such delivery shall be deposited in the Capital Reserve Fund;

(2) The amount, if any, to be deposited therein pursuant to the Supplemental Indenture authorizing the issuance of such Series shall be deposited in the Interest Account;

(3) The balance remaining after all other deposits required by this Section have been made shall be deposited in the Series Account within the Education Loan Fund established for such Series.

(B) The proceeds of sale of the Bonds of a Series of Refunding Bonds or the proceeds of the Refunding Bonds of any Series which includes Refunding Bonds, shall be deposited in the Redemption Account or shall be applied as otherwise provided in the Supplemental Indenture authorizing the issuance of such Series of Bonds; provided, however, that if the amount in the Capital Reserve Fund is, or will be at the time of issuance of such Refunding Bonds, less than the Capital Reserve Requirement then the Corporation must deposit in the Capital Reserve Fund the amount

necessary to cure such deficiency or, if the Corporation fails to make such deposit on the date of issuance of such Refunding Bonds, such amount must be so deposited from proceeds of such Refunding Bonds.

Section 402 - Application of Pledged Receipts and Other Amounts. (A) Pledged Receipts shall, promptly upon their receipt, be deposited with a Depository (who shall hold the same in a custodial account as agent for the Trustee subject to the provisions of Section 511) and transmitted to the Trustee at least monthly; such Pledged Receipts, together with all Pledged Receipts collected by the Trustee, shall be credited to the Revenue Fund. Upon receipt by the Trustee or any Depository of any Pledged Receipts, such Pledged Receipts shall be deemed to be credited to the Revenue Fund.

(B) The Corporation may make a deposit of money or any other assets to any Fund or Account, and the Trustee shall accept such deposit for such Fund or Account. When such deposit is made, such money or other assets shall be held for the purpose or purposes of such Fund or Account and otherwise subject to all of the terms and conditions of this Indenture.

ARTICLE V FUNDS AND ACCOUNTS

Section 501 - Establishment of Funds and Accounts. (A) The Corporation hereby establishes and creates the Master Education Loan Revenue Bond Account as a special account within the Education Loan Trust Fund to be held by the Trustee in trust hereunder. Within the Master Education Loan Revenue Bond Account, the Corporation also hereby establishes and creates the following special trust funds and within such funds the following accounts (all to be held by the Trustee in trust hereunder) to the extent fixed hereunder:

- (1) Education Loan Fund;
 - (a) Series Accounts;
 - (b) Unallocated Accounts;
- (2) Revenue Fund;
 - (a) Interest Account;
 - (b) Principal Account;
 - (c) Redemption Account;
- (3) Capital Reserve Fund.

(B) Any amounts held by a Depository as agent for the Trustee and all amounts held under the Custodian/Depository/Servicing Agreement shall be deemed to be held by the Trustee in the appropriate Fund or Account hereunder. All moneys or securities deposited with the Trustee or any Depository pursuant to this Indenture shall be held in trust and applied only in accordance with the provisions hereof and shall be considered trust funds for the purposes of this Indenture.

Section 502 - Education Loan Fund. (A) The Corporation shall create or identify in the Supplemental Indenture authorizing a Series of Bonds a Series Education Loan Account within the Education Loan Fund applicable to such Series of Bonds. Each such Series Account shall be identified by inserting in the designation therefor the year, letter, or other designation of the Bonds of such Series. In addition, the Corporation may direct the Trustee to create additional Unallocated Accounts within the Education Loan Fund for the purpose of holding Pledged Loans that are not allocated to a Series of Bonds or for any other purpose designated by the Corporation. The Corporation may deposit Education Loans and other assets in an Unallocated Account at any time. Amounts specified in Section 401 hereof shall be deposited in each Series Account.

(B) Except as permitted by subsection (F) of this Section, amounts in any Series Account shall be expended only (i) to pay the cost of acquiring or financing Education Loans (ii) to pay reasonable and necessary Costs of Issuance of any Bonds, subject to any limitation on such use that may be established in any Supplemental Indenture, (iii) to pay the principal or Redemption Price, if any, of and interest on the Bonds when due by transfer to the appropriate account of the Revenue Fund, as applicable, (iv) to pay any costs associated with any of the foregoing, or (v) for such other purposes as the Corporation may direct in writing, including, but not limited to, the payment of Program Expenses. Education Loans or Investment Securities acquired with amounts in a Series Account shall be credited to that Series Account. Amounts deposited in an Unallocated Account may be used for such purposes as the Corporation may direct in writing, including, but not limited to, the payment of Program Expenses.

(C) The Trustee shall pay out and permit the withdrawal of amounts on deposit in any Series Account at any time for the purpose of

making payments and deposits pursuant to (B) of this Section, but only upon receipt of a Certificate of an Authorized Officer setting forth (i) the amount to be paid, (ii) the person or persons to whom such payment is to be made (which may be or include the Corporation or, pursuant to the Custodian/Depository/Servicing Agreement attached hereto as Exhibit B, the State), and (iii) in reasonable detail the terms of the Education Loans, if any, to be financed by such withdrawal and the purpose or purposes of such withdrawal and stating that such withdrawal from the Series Account is a proper charge thereon.

(D) At any time that Bonds of a Series shall be subject to mandatory redemption or payment and amounts in the Redemption Account in the case of a redemption, or in the Interest Account and Principal Account in the case of a payment, are insufficient for such purposes, unless otherwise directed by the Corporation, the Trustee shall transfer the amounts necessary for such purposes first from Surplus Revenues, then from the Series Account for such Bonds, then from any other Series Account to the Redemption Account or to the Interest Account and Principal Account, for redemption or payment of such Bonds as the case may be, or apply such amounts directly to the redemption, purchase or retirement of such Bonds in accordance with their terms and the provisions of Article VI. If, after making any transfer required pursuant to the preceding sentence there remains an insufficiency, the Trustee shall apply amounts in the Capital Reserve Fund in accordance with and subject to the terms of Section 506 hereof to satisfy such insufficiency. Except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, any redemption or payment under this Section shall be made in descending order of priority by Class, beginning with Class I Bonds, if any.

(E) RESERVED

(F) Upon the payment or redemption of all of the Outstanding Bonds of any Series, the balance, if any, remaining in the Series Account established for such Series shall be transferred to the Revenue Fund, and any Loans allocated to such Series Account shall be reallocated to the Unallocated Account unless otherwise provided by a Supplemental Indenture.

(G) At any time the Corporation may direct the Trustee to withdraw Pledged Loans or other property from any Series Account or any

Unallocated Account, and the Trustee shall so withdraw such Pledged Loans or other property and deliver such Pledged Loans or other property to the Corporation free and clear of the lien and pledge of this Indenture; provided that

(i) the Trustee receives a Rating Confirmation taking into consideration such withdrawal of Pledged Loan or other property;

(ii) the Trustee receives from the Corporation a Certificate that no Event of Default and no payment default with respect to any Bonds exists or remains uncured, and no Event of Default or payment default with respect to any Bonds as to which the Trustee has knowledge shall exist and remain uncured (unless the withdrawal shall cure the Event of Default or payment default);

(iii) the Capital Reserve Fund will be funded to at least the Capital Reserve Requirement after giving effect to the withdrawal;

(iv) any additional requirements imposed by a Supplemental Indenture are satisfied; and

(v) the Corporation shall certify to the Trustee that all conditions precedent to the withdrawal of Pledged Loans and other property pursuant to this Section 502(G) and pursuant to any other applicable provisions of this Indenture or any Supplemental Indenture shall have been satisfied.

The Corporation may expend any amounts paid to it or transfer or use any Pledged Loans or other property transferred to it for any lawful purpose including, without limitation, the acquisition of additional Education Loans for transfer to any Fund.

(H) The Corporation may at any time sell, assign, transfer or otherwise dispose of a Pledged Loan at a price (i) at least equal to the principal amount thereof (plus accrued interest) (a) when the amounts on deposit in the Funds created in Section 501(A) are at least equal the principal

amount of the Outstanding Bonds or (b) to pay current debt service on the Bonds; or (ii) lower than the principal amount thereof (plus accrued interest) if the Corporation delivers to the Trustee a Rating Confirmation taking into consideration such sale, assignment, transfer, or other disposition of such Pledged Loan at such lower price. The Corporation shall sell Pledged Loans if necessary to prevent the occurrence of an Event of Default. The Corporation shall also sell Pledged Loans if necessary to prevent a default in the payment of the principal of or interest on any of the Bonds when due, unless such sale would cause an Event of Default to occur.

Section 503 - Revenue Fund. (A) Pledged Receipts, together with all other funds received hereunder and not otherwise directed hereunder, shall be credited to the Revenue Fund as required by Section 402 hereof.

(B) Amounts in the Revenue Fund shall be applied only for the purpose of making the payments or transfers provided in (C) of this Section.

(C) The Trustee shall make payments from the Revenue Fund at any time in the order and amounts prescribed below:

First: To the Corporation, the amount certified in writing by the Corporation as necessary to make any rebate payments or Yield Reduction Payments required to comply with its covenant contained in Section 714.

Second: To the Corporation, as directed in writing, for the payment of Program Expenses, or the establishment of reserves therefor, the amount needed and required to pay a portion of the reasonable and necessary Program Expenses and, in addition, any amount needed to pay fees and expenses with respect to any Credit Enhancement, any Interest Rate Exchange Agreement, or any Auction Agent or broker dealer; provided that the amount so paid to the Corporation or set aside in reserve during any Fiscal Year for the payment of Program Expenses may not exceed 1.25% of the average principal amount of Pledged Loans outstanding during the preceding Fiscal Year or such greater or lesser amount as may be set forth in a

Supplemental Indenture, provided that the Corporation must provide the Trustee with a Rating Confirmation that reflects any greater amount before establishing any such greater amount in a Supplemental Indenture.

Third: To the Interest Account, the amount necessary to increase the amount in such Account so that it at least equals unpaid interest on the Outstanding Bonds of the highest Class coming due within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such interest), unless otherwise specified with respect to any Series of Bonds in the Supplemental Indenture authorizing the Series of Bonds.

Fourth: To the Principal Account, the amount necessary to increase the amount in such Account so that it at least equals the amount of unpaid Principal Installments which will become due on the Outstanding Bonds of the highest Class within the next Business Day (or to honor any reimbursement or payment obligation under any Credit Enhancement or Interest Rate Exchange Agreement corresponding to the payment of such principal), unless otherwise specified with respect to any Series of Bonds in the Supplemental Indenture authorizing such Series of Bonds.

Fifth: To the Interest Account first and the Principal Account second the amounts necessary to make the payments described in Paragraphs Third and Fourth of this Section 503(C) By Class in Descending Order of Priority with respect to any Outstanding Bonds other than the Class I Bonds; provided, however, that in each case described in this paragraph Fifth if any such principal or interest amount has been paid through a Credit Enhancement facility or Interest Rate Exchange Agreement, then to that extent any Pledged Receipts which would otherwise have been applied to such payments shall, instead, be applied to honor any reimbursement or payment obligation under any such instrument corresponding to any such payment.

Sixth: To the Capital Reserve Fund, the amount, if any, necessary to cause the amount in such fund to equal the Capital Reserve Requirement.

Seventh: To the Education Loan Fund in such amount or amounts as directed in writing by the Corporation for deposit in any Series Account or Unallocated Account as the Corporation may indicate for the purposes of such Accounts.

Eighth: Any remaining amounts shall be held in the Revenue Fund and applied as provided in the foregoing paragraphs or applied to payments described in Section 502(D), Section 506(A), or Section 508.

Section 504 - Interest Account and Principal Account. (A) The Trustee shall pay out of the Interest Account to the respective Paying Agents for the Bonds (i) on or before each Interest Payment Date, the amounts required for the payment of interest due on the Outstanding Bonds on such date and (ii) on or before the redemption date or date of purchase, the amounts required for the payment of accrued interest on the Bonds redeemed or purchased for retirement, unless the payment of such accrued interest shall be otherwise provided for. In each such case, such amounts shall be applied by such Paying Agents to such payments; provided, however, that each payment shall be made in descending order of priority by Class, beginning with Class I Bonds, if any, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds; and provided, further, that, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, interest payments with respect to any lower Class of Bonds shall be made only if and to the extent that principal amounts due with respect to any higher Class of Bonds have been set aside in accordance with the requirements of paragraph Fourth of Section 503(C).

(B) From the amount accumulated in the Principal Account for each Principal Installment with respect to Bonds the Trustee shall pay to the respective Paying Agents on or before each Principal Installment Date the amount, if any, required for the payment of principal due on such date, and such amounts shall be applied by the

Paying Agents to such payments; provided, however, that, unless otherwise provided in the Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, each payment shall be made in descending order of priority by Class, beginning with Class I Bonds, if any.

(C) The amount accumulated in the Principal Account for each Sinking Fund Payment may and, if so directed in writing by the Corporation, shall be deposited in the Redemption Account (together with amounts accumulated in the Interest Account with respect to interest on such Bonds for which such Sinking Fund Payment was established) and applied by the Trustee prior to the forty-fifth day preceding the due date of such Sinking Fund Payment as follows:

(1) to the purchase pursuant to Section 505(B) of Bonds of the Series and maturity for which such Sinking Fund Payment was established; or

(2) to the redemption of such Bonds pursuant to Section 602 or Section 603, if then redeemable by their terms, at the Redemption Price which would be payable for such Bonds upon redemption by application of such Sinking Fund Payment plus unpaid interest accrued to the date of redemption.

(D) Notwithstanding the foregoing provisions of this Section 504, if interest or principal with respect to any Bond is paid from Credit Enhancement and such payment is required to be reimbursed, then amounts held in the Interest Account and in the Principal Account shall be used to make such reimbursement in lieu of making such interest or principal payments in accordance with the terms of the instrument creating the Credit Enhancement.

Section 505 - Redemption Account. (A) There shall be deposited in the Redemption Account any amounts which are required to be deposited therein pursuant to this Indenture or any Supplemental Indenture and any other amounts available therefor and determined by the Corporation to be deposited therein. Subject to the provisions of this Indenture or of any Supplemental Indenture requiring the application thereof to the purchase or redemption of any particular Bonds, the Trustee shall apply any amounts deposited in the Redemption Account to the purchase or redemption of any of the Bonds (or to the

reimbursement of any Credit Enhancement provider for amounts advanced by Credit Enhancement to pay for such purchase or redemption) at the times and in the manner provided in this Section and in Section 602 or Section 603, as applicable.

(B) At any time prior to the forty-fifth day prior to the day upon which Bonds are to be redeemed from such amounts, the Trustee shall, upon the written direction of the Corporation, apply amounts in the Redemption Account to the purchase of any of the Bonds which may be redeemed by application of amounts on deposit in the Redemption Account, except that the Corporation may, by delivery of written instructions to such effect signed by an Authorized Officer, require or prohibit such purchases in the discretion of the Corporation. The Trustee shall purchase Bonds at such times, for such prices, in such amounts and in such manner as the Corporation shall from time to time direct in writing. The purchase price paid (excluding accrued interest but including any brokerage and other charges) for any Bond purchased shall not exceed the principal amount of such Bond unless such Bond may be redeemed in accordance with this Indenture on any date within thirteen months after such purchase in which event such purchase price shall not exceed the highest Redemption Price payable on any such date upon the redemption of such Bond. In the event the Trustee is able to purchase a principal amount of Bonds equivalent to the sum of the deposits in the Redemption Account for the redemption of such Bonds at a purchase price less than the sum of such deposits, excluding the applicable transfers from the Interest Account, upon the payment by the Trustee of the purchase price of such Bonds, the Trustee shall transfer the balance of such moneys remaining in the Redemption Account to, and deposit the same in, the Revenue Fund.

(C) The Corporation may, from time to time by written instructions, direct the Trustee to make purchases under subsection (B) above. No purchase of Bonds shall be made by the Trustee from amounts in the Redemption Account within the period of forty-five days next preceding any date on which such Bonds are subject to redemption.

(D) Upon the purchase or redemption of Bonds of any Series and maturity for which Sinking Fund Payments have been established from amounts in the Redemption Account, there

shall be credited toward all future Sinking Fund Payments thereafter to become due and any payment upon final maturity with respect to such Bonds, on a pro rata basis among all such Sinking Fund Payments and payment upon final maturity, an amount equal to the total principal amount of such Bonds so purchased or redeemed. If, however, there shall be filed with the Trustee written instructions of an Authorized Officer specifying a different method for crediting Sinking Fund Payments upon any such purchase or redemption of Bonds, then such Sinking Fund Payments shall be credited as shall be provided in such instructions, but only if the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such crediting method.

(E) As soon as practicable after the forty-fifth day preceding the due date of any such Sinking Fund Payment, the Trustee shall proceed to call for redemption pursuant to Section 603, on such due date, Bonds of the Series and maturity for which such Sinking Fund Payment was established in such amount as shall be necessary to complete the retirement of Bonds of such Series and maturity in the principal amount equal to the amount of the unsatisfied balance of such Sinking Fund Payment. The Trustee shall so call such Bonds for redemption without regard to whether it then has moneys in the Redemption Account sufficient to pay the applicable Redemption Price thereof to the redemption date. The Trustee shall pay out of the Redemption Account to the appropriate Paying Agents on the day preceding each such redemption date, the amount required for the redemption of the Bonds so called for redemption, and such amount shall be applied by such Paying Agents to such redemption.

(F) The Trustee shall pay out of the Redemption Account to the Paying Agents for such Bonds on or before the redemption date thereof, the amounts required for the payment on such date by such Paying Agents, respectively, of the Redemption Price of any Bonds to be redeemed and the Paying Agents shall apply such amounts to the redemption of such Bonds on and after such date. If at any date there shall be moneys in the Redemption Account and there shall be Outstanding none of the Bonds of the Series for the redemption of which such moneys were deposited in the Redemption Account, such moneys shall be withdrawn therefrom and deposited in the Revenue Fund.

(G) Except for amounts which are

required to be retained therein for the redemption of Bonds for which notice of redemption shall have been given as provided in Article VI or for which the Trustee has received irrevocable instructions to give such a notice on a future date, amounts in the Redemption Account may, upon the written request of the Corporation, signed by an Authorized Officer, be transferred to the Revenue Fund

Section 506 - Insufficient Revenues; Capital Reserve Fund. (A) If, one Business Day before any Interest Payment Date, the amount in the Principal Account or the Interest Account (taking into account amounts scheduled to be received from Investment Securities at any time before such Interest Payment Date) shall be less than the amount required for the payment of all Principal Installments and interest on Outstanding Bonds of a Class due on such Interest Payment Date, the Trustee shall apply all Surplus Revenues and then amounts in the related Series Accounts and then from any other Series Accounts to satisfy such insufficiency and, if an insufficiency remains thereafter, shall immediately notify the Corporation of such event and shall apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. Amounts so applied shall be applied By Class in Descending Order of Priority by Class. If on any Redemption Date (or any date for the purchase of Bonds under Section 505(B)), the amount in the Redemption Account and the Interest Account shall be less than the amount required for the payment of the Redemption Price (or purchase price) and interest accrued on such Bonds to be redeemed (or purchased) on such date the Trustee shall apply all Surplus Revenues and then amounts in the related Series Accounts to satisfy such insufficiency and, if an insufficiency remains thereafter, shall immediately notify the Corporation of such event and shall apply amounts from the Capital Reserve Fund to the extent necessary to make good the deficiency. Amounts so applied shall be applied By Class in Descending Order of Priority. If, on any date specified in this Section 506(A) for the application of amounts in the Capital Reserve Fund, there are insufficient amounts for such application, or if, at any time, the amount in the Capital Reserve Fund is less than the Capital Reserve Requirement, the Trustee shall immediately notify the Corporation of such event and, upon the written direction of the Corporation, shall immediately transfer to the Capital Reserve Fund from assets of the Corporation made available for such purpose by the Corporation or from any other Fund or Account

(provided that the Trustee shall make any such transfer from a Series Account only after transferring any available assets of the Corporation and any amounts in all other Funds and Accounts, excluding any Credit Enhancement Fund, and then on a pro rata basis among the amounts available in all the Series Accounts unless a different allocation is required for Federal tax reasons as set forth in a Letter of Instructions, or to pay principal or interest on any Bonds) amounts necessary to increase the amount in the Capital Reserve Fund to the amount needed for the intended application or to the Capital Reserve Requirement, as the case may be. In determining whether the amount in the Capital Reserve Fund is at least equal to the Capital Reserve Requirement, the Trustee shall include the amount of cash and the principal amount of Investment Securities held in the Capital Reserve Fund, together with the amount of interest earned or accrued thereon as of the date of valuation, and shall also include, but only if any other requirement therefor specified in a Supplemental Indenture has been satisfied, the principal component of any Credit Enhancement then on deposit in the Capital Reserve Fund.

(B) All income earned or gains realized as a result of the investment of amounts on deposit in the Capital Reserve Fund shall be deposited therein and constitute a part thereof. Except as provided in subsection (C) of this Section, if, concurrently with any allocation from the Revenue Fund pursuant to subsection (C) of Section 503, the amount on deposit in the Capital Reserve Fund shall be in excess of the Capital Reserve Requirement, the Trustee shall transfer the amount of such excess to the Revenue Fund.

(C) Whenever the Corporation shall deliver instructions to the Trustee to redeem Bonds of a particular Series or the redemption of Bonds of a particular Series is required by a Supplemental Indenture (other than by application of Sinking Fund Payments) and such redemption is to be made from amounts then on deposit in any Fund or Account other than the Capital Reserve Fund, the Trustee shall calculate the amount by which the amount on deposit in the Capital Reserve Fund will exceed the Capital Reserve Requirement immediately following the redemption of the Bonds specified in such instructions (and to be redeemed from such amounts) and such excess amount shall on the redemption date specified in such instructions, be transferred into the Revenue Fund. In making the aforesaid calculation, the Trustee shall also take into account, as nearly as

practicable, the additional amount by which the amount on deposit in the Capital Reserve Fund will exceed the Capital Reserve Requirement as a result of the redemption of Bonds from the amounts to be so withdrawn. The Trustee shall give notice of the redemption of such Bonds and shall select the particular Bonds to be so redeemed in such manner as the Corporation shall specify in written instructions (subject to the terms of this Indenture and any Supplemental Indenture) or, failing such instructions, as the Trustee shall, in its sole discretion, deem advisable.

(D) Whenever the amount in the Capital Reserve Fund, together with the amount in the Interest Account and Principal Account, is sufficient to fully pay the principal of and interest on all Outstanding Bonds of a Series in accordance with their terms (including the Sinking Fund Payments for the retirement thereof), and immediately thereafter the amount on deposit in the Capital Reserve Fund shall at least equal the Capital Reserve Requirement, such amount shall, at the written direction of the Corporation, be transferred from the Capital Reserve Fund to the Revenue Fund. Prior to any such transfer, investments held in the Capital Reserve Fund in an amount necessary to make said transfer shall be liquidated.

(E) The Trustee shall sell or redeem Investment Securities to the extent necessary to provide money to make any required payment pursuant to this Section and, at the written direction of the Corporation, shall sell or redeem Investment Securities to make any deposit, purchase, payment or redemption as permitted pursuant to this Section.

Section 507 - . RESERVED

Section 508 - Excess Coverage. At any time, but no more frequently than once every month, the Corporation may deliver to the Trustee a Certificate, evidencing the fact that there is then Excess Coverage on deposit hereunder and specifying the amount thereof and stating that no Event of Default or payment default exists hereunder. Promptly upon the Trustee's receipt of that Certificate with a Rating Confirmation reflecting the release of any Excess Coverage, the Trustee shall release such Excess Coverage to the Corporation from the Education Loan Fund (other than proceeds of Bonds) or from the Revenue Fund, as set forth in such Certificate, for any of its corporate purposes, including, without limitation,

the deposit of said amounts in any Fund or Account or the acquisition of additional Education Loans for transfer to any Fund. The Trustee may conclusively rely upon such Certificate without further duty to examine or investigate the accuracy thereof.

Section 509 - Obtaining Credit Enhancements and Interest Rate Exchange Agreements. Except as otherwise provided in a Supplemental Indenture authorizing the issuance of a Series or Class of Bonds, the Corporation may obtain Credit Enhancement or an Interest Rate Exchange Agreement with respect to such Bonds either at the time of issuance of the Bonds or any time thereafter, provided that, in any case, the Corporation shall have filed with the Trustee a Rating Confirmation reflecting such Credit Enhancement or Interest Rate Exchange Agreement. The Class ranking of such Credit Enhancement or Interest Rate Exchange Agreement shall be determined as provided in Section 510(D).

Section 510 - Creation of Additional Funds, Accounts and Subaccounts; Separate Credit Enhancement Funds; Pledge of Trust Estate with Respect to Credit Enhancements and Interest Rate Exchange Agreements. (A) The Trustee shall establish within any Fund such Accounts in addition to the Accounts herein established as the Corporation shall by Supplemental Indenture determine and shall in like manner establish within any Account such additional subaccounts for the purposes of such Account as the Corporation shall so determine.

(B) The Corporation may at any time by execution of a Supplemental Indenture establish a Fund or Account in which to hold any Credit Enhancement and the proceeds thereof or drawings thereunder (a "Credit Enhancement Fund") for the benefit of any Series of Bonds to which such Credit Enhancement has been pledged, which pledge may be (but is not required to be) exclusively for the benefit of such Series of Bonds or certain designated Series of Bonds and not equally and ratably among all the Series of Bonds and Parity Obligations Outstanding. Amounts held in a Credit Enhancement Fund shall not be considered a part of the Trust Estate but, rather, shall be subject to such lien and pledge as may be created in the Supplemental Indenture creating such Credit Enhancement.

(C) If the Corporation creates a Credit

Enhancement Fund, the Corporation may direct, in the Supplemental Indenture creating such Credit Enhancement Fund, that the Trustee pay, and if so directed in writing by the Corporation the Trustee shall pay, principal (including premium, if any) of and interest on the Bonds secured by such Credit Enhancement Fund directly from amounts in such Credit Enhancement Fund and that the Trustee reimburse, and if so directed in writing by the Corporation the Trustee shall so reimburse, such Credit Enhancement Fund for such payment from the Credit Enhancement Fund; provided, however, that the Corporation may, in the Supplemental Indenture authorizing the Series of Bonds to be secured by Credit Enhancement, treat any, or any part of any, obligation owed or which may in the future be owed to the Credit Enhancement Agency pursuant to the Credit Enhancement Instrument as Additional Bonds of the same Class as the Bonds secured by such Credit Enhancement if the Corporation, at the time of issuance of said Series of Bonds and at the time of the creation of any such obligation satisfies the requirements of Section 208, in which case the Trustee shall pay the principal of and interest on any such obligations in accordance with the terms of this Indenture treating such obligations as Additional Bonds. In a Supplemental Indenture authorizing Additional Bonds secured by a Credit Enhancement Fund the Corporation may fix provisions relating to such Fund different from the provisions of Section 511. In addition to the foregoing, the Corporation may agree to permit a Credit Enhancement Agency to be subrogated to the rights of any Bondholders whose Bonds are secured by the Credit Enhancement provided that such Credit Enhancement Agency is not in default under such Credit Enhancement and provided that such Credit Enhancement, if it has been assigned a Class as provided above, is in a Class at least as high as the Class of the Bonds it secures.

(D) If the Corporation enters into an Interest Rate Exchange Agreement or obtains Credit Enhancement with respect to any Series or Class of Bonds, the Corporation may grant a security interest in the Trust Estate to secure performance of the Corporation's obligations under such Credit Enhancement or Interest Rate Exchange Agreement. The Corporation may identify the Class ranking of the Credit Enhancement or Interest Rate Exchange Agreement in the Supplemental Indenture authorizing the Bonds secured by such Credit Enhancement or Interest Rate Exchange Agreement or in the agreement creating the Credit Enhancement or Interest Rate Exchange

Agreement. The Class ranking of the Credit Enhancement or Interest Rate Exchange Agreement may be equal to or greater or lesser than the Class ranking of any Bonds issued under this Indenture, including the Bonds secured by the Credit Enhancement or Interest Rate Exchange Agreement.

Section 511 - Deposits and Investments.

(A) All amounts in any Fund or Account held under this Indenture (including amounts described in the Custodian/Depository/Servicing Agreement and any other amounts held in any fund or account created by or on behalf of any such fiduciary or Depository for the receipt of amounts held under this Indenture) by any Fiduciary or Depository shall be held in trust for the benefit of the Trustee if not held by the Trustee and shall be continuously and fully secured for the benefit of the Corporation and the holders of the Bonds either (i) by lodging Investment Securities as collateral with the Trustee as custodian, having a market value (exclusive of accrued interest) not less than the amount of such moneys or (ii) in such other manner as may then be required by applicable federal or state laws and regulations and applicable state laws and regulations of the state in which such Fiduciary or Depository (as the case may be) is located, regarding security for, or granting a preference in the case of, the deposit of trust funds; except that it shall not be necessary for a Fiduciary or Depository to give security under this subsection for the deposit of any moneys with them held in trust and set aside by them for the payment of the principal or Redemption Price of or interest on any Bonds, or for any Fiduciary or Depository to give security for any moneys which shall be represented by obligations or certificates of deposit purchased as an investment of such moneys. All amounts deposited with the Trustee and each Depository (including amounts received by the State of Alaska under the Custodian/Depository/Servicing Agreement) shall immediately be credited to the particular Fund or Account to which such amounts belong. Until such time as such amounts are expended for the purposes authorized by this Indenture or any Supplemental Indenture or are transferred to another Fund or Account as provided in this Indenture or any Supplemental Indenture, the Trustee or Depository shall invest such amounts as provided in (B) of this Section. Neither the Trustee nor any Depository shall be responsible for any losses resulting from the investment of moneys in the funds and accounts created hereunder, so long as such investments are made in accordance with this Indenture and the written

direction of the Corporation or, in the case of the State acting under the Custodian Agreement, in accordance with the Custodian Agreement.

(B) Upon the deposit of any amounts in any Fund or Account, the Corporation may furnish the Trustee with a schedule of dates on which it is estimated by the Corporation that such moneys in said Fund or Account will be required to be expended. The Corporation may from time to time amend the schedule so furnished. Upon receipt of such schedule or amended schedule, the Corporation shall direct the Trustee or Depository, in writing, to invest and reinvest in Investment Securities the moneys in said Fund or Account so that the maturity date or date of redemption at the option of the holder of such obligations shall coincide as nearly as practicable with the times at which moneys are needed by the Corporation to be so expended, except that (i) with respect to the Capital Reserve Fund such Investment Securities shall include only such investments as are permitted pursuant to any Supplemental Indenture authorizing a Series of Bonds as to which any Bonds remain Outstanding at the time of such investment; (ii) the average maturities of investments purchased with amounts in the Capital Reserve Fund may be limited pursuant to the provisions of a Supplemental Indenture; and (iii) investments purchased with amounts in the Principal Account must mature or be redeemable at the option of the holder no later than the day before the Interest Payment Date on which amounts used to purchase such investments are needed to pay principal of the Bonds, and investments purchased with amounts in the Interest Account must mature or be redeemable at the option of the holder no later than the day before the Interest Payment Date on which amounts used to purchase such investments are needed to pay interest on the Bonds. The obligations purchased shall be held by the Trustee and shall be deemed at all times to be part of such Fund or Account, and the Trustee shall keep the Corporation advised as to the details of all such investments.

(C) Except as otherwise provided in this Indenture, obligations purchased as an investment of moneys in any Fund or Account held by the Trustee under the provisions of this Indenture shall be deemed at all times to be a part of such Fund or Account, but the income or interest earned and gains realized in excess of losses suffered by a Fund or Account, other than the Capital Reserve Fund, due to the investment thereof shall be deposited upon receipt as Pledged

Receipts into the Revenue Fund.

(D) The Trustee shall advise the Corporation in writing, on or before the tenth day of each calendar month, of the details of all investments held for the credit of each Fund and Account in its custody under the provisions of this Indenture as of the end of the preceding month.

Section 512 - Use of Funds in Event of Default. If an Event of Default described in Section 1002(1) or (2) occurs and is continuing, the Trustee may use moneys from any Fund or Account created hereunder to make payments required hereunder.

ARTICLE VI REDEMPTION OF BONDS

Section 601 - Privilege of Redemption and Redemption Price. Bonds subject to redemption prior to maturity pursuant to a Supplemental Indenture shall be redeemable, upon notice as provided in this Article, at such times, at such Redemption Prices and upon such terms as may be specified in such Bonds, in this Indenture and in the Supplemental Indenture authorizing such Series. Nothing in this Indenture or in any Supplemental Indenture shall require the redemption of Bonds in amounts less than Authorized Denominations. If amounts are available for the redemption of Bonds but such amounts are less than an Authorized Denomination of the Bonds to be redeemed, the Trustee shall so notify the Corporation and, at the written direction of the Corporation, shall deposit such Fund or Account as such written direction shall indicate.

Section 602 - Redemption at the Election or Direction of the Corporation. In the case of any redemption of Bonds other than as provided in Section 603, the Corporation shall give written notice at the time specified in the Supplemental Indenture relating to said Bonds to the Trustee of its election or direction so to redeem, of the redemption date, of the Series, of the principal amounts of the Bonds of each maturity of such Series to be redeemed (which redemption date, Series, maturities and principal amounts thereof to be redeemed shall be determined by the Corporation in its sole discretion, subject to any limitations with respect thereto contained in this Indenture and any Supplemental Indenture) and of any moneys to be applied to the payment of the Redemption Price. Upon the giving of such notice, the Corporation, if it holds the amounts to be

applied to the payment of the Redemption Price, shall pay to the Trustee for deposit in the Redemption Account an amount in cash which, in addition to other moneys, if any, available therefor held herein, will be sufficient to redeem on the redemption date at the Redemption Price thereof, all of the Bonds to be redeemed.

Section 603 - Redemption Otherwise Than at Corporation's Election or Direction. Whenever by the terms of this Indenture the Trustee is required to redeem Bonds otherwise than at the election or direction of the Corporation, and subject to and in accordance with the terms of this Article, the Supplemental Indenture authorizing the Series of Bonds of which the Bonds to be redeemed are part, and, to the extent applicable, Article V, the Trustee shall select the redemption date of the Bonds to be redeemed and give notice of the redemption in the manner prescribed by Section 605.

Section 604 - Selection of Bonds to be Redeemed by Lot. In the event of redemption of less than all the Outstanding Bonds of like Series, Class, and maturity, the Trustee shall select the Bonds to be redeemed, from all Bonds or portions thereof not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem fair and appropriate.

Section 605 - Notice of Redemption. When the Trustee shall receive notice from the Corporation of its election or direction to redeem Bonds pursuant to Section 602, and when redemption of Bonds is required by this Indenture pursuant to Section 603, unless otherwise required for a Series of Bonds by the Supplemental Indenture authorizing the same, the Trustee shall give notice in the name of the Corporation, regardless of whether the Trustee has sufficient money available to pay the applicable Redemption Price with accrued interest on the Bonds to be redeemed, of the redemption of such Bonds, which notice shall specify the Series, Class, and maturities of the Bonds to be redeemed, the redemption date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series, Class, and maturity are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed. Such notice shall further state that on such date there

shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue and be payable; provided, however, that if the Trustee does not have available money in an amount sufficient to pay such amounts on such date, then such notice of redemption shall be null and of no effect. The Trustee shall mail a copy of such notice, postage prepaid, at the time specified in the Supplemental Indenture that authorized the issuance of such Bonds, to the registered owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books, but such mailing shall not be a condition precedent to such redemption and failure so to mail any such notice shall not affect the validity of the proceedings for the redemption of Bonds.

Section 606 - Payment of Redeemed Bonds. Notice having been given in the manner provided in Section 605, the Bonds or portions thereof so called for redemption shall become due and payable on the redemption date so designated at the Redemption Price, plus interest accrued and unpaid to the redemption date, and, upon presentation and surrender thereof at the office specified in such notice, such Bonds, or portions thereof, shall be paid at the Redemption Price plus interest accrued and unpaid to the redemption date. If there shall be drawn for redemption less than all of a Bond, the Corporation shall execute and the Trustee shall authenticate and the Paying Agent deliver, upon the surrender of such Bond, without charge to the owner thereof, for the unredeemed balance of the principal amount of the registered Bond so surrendered at the option of the owner thereof, Bonds of like Series and maturity in any of the authorized denominations. If, on the redemption date, moneys for the redemption of all the Bonds or portions thereof of any like Series and maturity to be redeemed, together with interest to the redemption date, shall be held by any Paying Agent so as to be available therefor on said date and if notice of redemption shall have been mailed as aforesaid, then, from and after the redemption date interest on the Bonds or portions thereof of such Series and maturities so called for redemption shall cease to accrue and become payable. If said moneys shall not be so available on the redemption date, such Bonds or portions thereof shall continue to bear interest until paid at the same rate as they

would have borne had they not been called for redemption.

ARTICLE VII PARTICULAR COVENANTS

The Corporation covenants and agrees with the Trustee and the holders of the Bonds as follows:

Section 701 - Payment of Bonds. The Corporation shall duly and punctually pay or cause to be paid the principal or Redemption Price, if any, of every Bond and the interest thereon, at the dates and places and in the manner stated in the Bonds according to the true intent and meaning thereof and shall duly and punctually pay or cause to be paid all Sinking Fund Payments, if any, becoming payable with respect to any Series of Bonds.

Section 702 - Extension of Payment of Bonds. The Corporation shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase or funding of such Bonds or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefit of this Indenture or to any payment out of the Funds or Accounts established pursuant to this Indenture, including the investments, if any, thereof, or out of any assets or revenues pledged hereunder (except moneys held in trust for the payment of particular Bonds or claims for interest pursuant to this Indenture) prior to benefits accorded to or the payment of the principal of all Bonds Outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Corporation to issue Refunding Bonds and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

Section 703 - Office for Servicing Bonds. The Corporation shall at all times maintain an office or agency where Bonds may be presented for transfer or exchange, and where notices, presentations and demands upon the Corporation in respect of the Bonds or of this Indenture may be served. The Corporation hereby appoints the Trustee as its agent to maintain such office or

agency for the transfer or exchange of Bonds and for the service of such notices, presentations and demands upon the Corporation and may appoint one or more co-registrars for such purposes. The Corporation hereby appoints the Trustee as Paying Agent and hereby appoints the Paying Agent as its agent to maintain such offices or agencies for the payment of Bonds.

Section 704 - Further Assurance. At any and all times the Corporation shall, so far as it may be authorized by law, pass, make, do, execute, acknowledge and deliver, all and every such further resolutions, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary for the better assuring, conveying, granting, pledging, assigning and confirming all and singular the rights, assets, revenues and other moneys, securities, funds and property hereby pledged or assigned, or intended so to be, or which the Corporation may become bound to pledge or assign.

Section 705 - Power to Issue Bonds and Pledge Revenues, Funds and Other Property. The Corporation is duly authorized under all applicable laws to authorize and issue the Bonds and to execute and deliver this Indenture and to pledge the Trust Estate purported to be pledged hereby in the manner and to the extent herein provided. The Trust Estate so pledged is and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, of equal rank with, or subordinate to, the pledge created hereby, other than any pledge or lien granted as security for Parity Obligations in conformity with the terms and provisions of this Indenture, and all corporate or other action on the part of the Corporation to that end has been and will be duly and validly taken. The Bonds and the provisions of this Indenture are and will be the valid and legally enforceable obligations of the Corporation in accordance with their terms and the terms of this Indenture. The Corporation shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Pledged Loans, Pledged Loan Notes, Pledged Receipts, and other assets and revenues constituting the Trust Estate, including rights therein pledged under this Indenture and all the rights of the Bondholders under this Indenture against all claims and demands of all persons whomsoever.

Section 706 - Accounts and Reports. (A) The Corporation shall keep, or cause to be kept, proper books of record and account in which

complete and accurate entries shall be made of all its transactions relating to the Education Loan Program and all Funds and Accounts established by this Indenture which shall at all reasonable times be subject to the inspection of the Trustee and the holders of an aggregate of not less than twenty-five per centum (25%) in principal amount of Bonds then Outstanding or their representatives duly authorized in writing. The Corporation shall cause records to be maintained designating each Education Loan in accordance with the designation of the Bonds of the Series from the proceeds of which it was financed or deemed to be financed in accordance with this Indenture.

(B) The Corporation shall annually, within 120 days after the close of each fiscal year of the Corporation, file with the Trustee, and with such officials of the State, if any, as may be required by the Act, financial statements of the Corporation for such fiscal year setting forth in reasonable detail: (a) a statement of revenues, expenses, and changes in net assets in accordance with the categories or classifications established by the Corporation for its Education Loan Program purposes; (b) a balance sheet or statement of net assets for the Education Loan Program showing its assets and liabilities at the end of such fiscal year; and (c) a statement of cash flows for the Education Loan Program for such fiscal year. The financial statements for the Education Loan Program may be combined with financial statements for other programs and purposes of the Corporation so long as the said financial statements for the Education Loan Program are separately identified. The financial statements shall be accompanied by an Accountant's Certificate stating to the general effect that the financial statements examined present fairly the financial position of the Corporation at the end of the fiscal year, the results of its operations and the changes in financial position for the period examined, in conformity with generally accepted accounting principles.

(C) A copy of each Accountant's Certificate shall be mailed promptly thereafter by the Corporation to each Bondholder who shall have filed his name and address with the Corporation for such purpose.

Section 707 - Education Loan Program. (A) The Corporation shall from time to time, with all practical dispatch and in a sound and economical manner consistent in all respects with the Act and its regulations and other applicable provisions of law from time to time in effect, the provisions of this

Indenture and sound banking practices and principles, (i) use and apply the proceeds of the Bonds, to the extent the same are not directed to be used otherwise pursuant to a Supplemental Indenture, to finance Education Loans pursuant to the Act and this Indenture, (ii) do all such acts and things as shall be necessary to receive and collect Pledged Receipts (including diligent enforcement of the prompt collection of any delinquencies) sufficient to pay the Program Expenses and the principal or Redemption Price, if any, of and interest on the Bonds and apply such amounts in a manner consistent with such purpose, and (iii) diligently enforce, and take all steps, actions and proceedings reasonably necessary in the judgment of the Corporation to enforce, all terms, covenants and conditions of Pledged Loans, including, without limitation, any action or proceeding necessitated by any State legislation purporting to waive or relax any of the terms and provisions thereof. Notwithstanding the foregoing, the Corporation may, upon filing a Rating Confirmation with the Trustee reflecting a proposed modification of the terms of Pledged Loans or Pledged Loan Notes, modify the terms of any Pledged Loan or Pledged Loan Note or any group of Pledged Loans or Pledged Loan Notes or take any other action it chooses which may have the effect of modifying the terms of any such Pledged Loans or Pledged Loan Notes.

(B) No amount in the Education Loan Fund shall be expended or applied for the purpose of financing a Guaranteed Loan, unless (except to the extent that a variance from such requirements is required by an agency or instrumentality of the United States of America insuring or guaranteeing the payment of such Guaranteed Loan) the Corporation has determined that:

(i) the payment of the principal of and interest on such Guaranteed Loan is to the maximum extent then permitted by law either (1) insured by the Secretary as evidenced by a certificate of insurance issued under the provisions of the Higher Education Act, or (2) guaranteed by a Guarantor and the Secretary is required, at the time of financing, to reimburse such Guarantor in accordance with the Higher Education Act to the extent permitted by federal law for amounts expended by such Guarantor in discharge of its insurance obligation on such Guaranteed Loan;

(ii) the interest rate on such Guaranteed Loan at the time of acquisition is the maximum rate of interest then permitted under the Higher Education Act, as evidenced by its related promissory note (unless the Corporation accepts a lower interest rate after the Corporation delivers a Rating Confirmation reflecting such lower interest rate to the Trustee prior to instituting the authorization for such lesser charges under the Education Loan Program); and

(iii) if not originated by the Corporation, or the Trustee on behalf of the Corporation, (a) the Guaranteed Loan is subject to being repurchased by the seller if such Guaranteed Loan does not comply with the standards of the Corporation under its education loan purchase agreement and (b) the seller or other transferor of such Guaranteed Loan represents that the loan subject to such transfer is free of any encumbrances or liens.

If the payment of all Bonds is secured by one or more Credit Enhancements, all of the Credit Enhancement Agencies may waive the requirements of (iii) above.

The Corporation may exchange with any purchaser one or more Education Loans for one or more Guaranteed Loans (of approximately the same aggregate principal amount and accrued interest) of a borrower who is the obligor on other Guaranteed Loans. The Corporation may at any time and from time to time exchange Education Loans for other Guaranteed Loans having an aggregate principal amount and interest rate not less than the aggregate principal amount and interest rate of the Guaranteed Loans being exchanged, for the purpose of consolidating Guaranteed Loans of a single borrower within one indenture.

(C) The Corporation covenants that the Commission is an eligible lender under the Higher Education Act. The Corporation, or its designated agent, shall be responsible for each of the following actions with respect to the Higher Education Act:

(i) The Corporation, or its designated agent, shall be responsible for dealing with the Secretary with respect to the rights, benefits and obligations under

the certificates of insurance and the contract of insurance with respect to such Guaranteed Loans, and the Corporation shall be responsible for dealing with the Guarantor with respect to the rights, benefits and obligations under any guarantee agreement with respect to the Guaranteed Loans;

(ii) The Corporation, or its designated agent, shall cause to be diligently enforced, and shall cause to be taken, all reasonable steps, actions and proceedings necessary or appropriate for the enforcement of all terms, covenants and conditions of all Guaranteed Loans and agreements in connection therewith, including the prompt payment of all principal and interest payments and all other amounts due thereunder;

(iii) The Corporation, or its designated agent, shall comply, and shall cause all of its officers, director, employees and agents to comply, with the provisions of the Higher Education Act and any regulations or rulings thereunder, with respect to the Guaranteed Loans.

(iv) The Corporation, or its designated agent, shall cause the benefits of the guarantee agreements, the interest subsidy payments and the special allowance payments to flow to the Trustee. The Trustee shall have no liability for actions taken at the direction of the Corporation, except for negligence or willful misconduct in the performance of its express duties hereunder. The Trustee shall have no obligation to administer, service or collect the loans in the Trust Estate or to maintain or monitor the administration, servicing or collection of such loans.

(D) The Corporation hereby covenants that all Guaranteed Loans to be acquired hereunder will meet the following:

(i) Each Guaranteed Loan is evidenced by an executed promissory note and is, to the best knowledge of the Corporation, a valid and binding obligation of the borrower, enforceable by or on

behalf of the holder thereof in accordance with its terms, subject to bankruptcy, insolvency and other laws relating to or affecting creditors' rights.

(ii) No borrower of any Guaranteed Loan was noted in the file relating to such Guaranteed Loan as being currently involved in a bankruptcy proceeding.

(iii) To the best knowledge of the Corporation, the amount of the unpaid principal balance of each Guaranteed Loan is true and owing, and no counterclaim, offset, defense or right to rescission exists with respect to any Guaranteed Loan which can be asserted and maintained or which, with notice, lapse of time, or the occurrence or failure of any act or event, could be asserted and maintained by the borrower against the Corporation as assignee thereof. The Corporation shall take all reasonable actions to assure that no maker of a Guaranteed Loan has or may acquire a defense to the payment thereof.

(iv) The Corporation has full right, title and interest in each Guaranteed Loan free and clear of all liens, pledges or encumbrances whatsoever.

(v) To the best knowledge of the Corporation, each Guaranteed Loan was made in compliance with all applicable local, state and federal laws, rules and regulations, including without limitation all applicable nondiscrimination, truth-in-lending, consumer credit and usury laws.

Section 708 - Issuance of Additional Obligations. (A) The Corporation shall not hereafter create or permit the creation of or issue any obligations or create any indebtedness which will be secured by a lien on the Trust Estate except as provided in Sections 206, 207, 208 and 209.

(B) The Corporation shall not issue any Series of Bonds under this Indenture unless:

(1) the principal amount of the Bonds then to be issued, together with the principal amount of the bonds, notes and other obligations of the Corporation theretofore issued (less any Bonds to be

refunded thereby and deemed not Outstanding) will not in the opinion of Bond Counsel exceed in aggregate principal amount any limitation thereon imposed by law; and

(2) upon the issuance and delivery of such Bonds, the amount credited to the Capital Reserve Fund shall not be less than the Capital Reserve Requirement.

Section 709 - The Capital Reserve Fund.

(A) The Corporation shall at all times maintain the Capital Reserve Fund created and established by Section 501 and do and perform or cause to be done and performed each and every act and thing with respect to the Capital Reserve Fund provided to be done or performed by or on behalf of the Corporation or the Trustee or the Paying Agents under the terms and provisions of Article V hereof.

(B) In order to better secure the Bonds and to make them more marketable and to maintain in the Capital Reserve Fund an amount equal to the Capital Reserve Requirement, the Corporation shall, in compliance with the provisions of the Act, cause the Chairman of the Board of Directors of the Corporation annually, on or before January 15 of each year, to certify in writing to the Governor of the State and the Chairmen of the House and Senate Finance Committees the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Requirement. A copy of such Certificate shall be promptly delivered to the Trustee. All moneys received by the Corporation from the State in accordance with the provisions of the Act pursuant to any such certification shall be paid to the Trustee for deposit and credit to the Capital Reserve Fund. In addition, if 15 days prior to the end of each calendar quarter during which the Bonds are outstanding, the amount in the Capital Reserve Fund is not equal to the Capital Reserve Requirement or there is not sufficient money otherwise available in all Funds and Accounts established hereunder to pay Principal Installments and interest coming due on the next Interest Payment Date, the Chairman of the Board shall certify in writing to the Governor the amount, if any, required to restore the Capital Reserve Fund to the Capital Reserve Requirement or to pay such Principal Installment and interest coming due, as the case may be.

(C) Notwithstanding any other provision of this Indenture, the Trustee shall not permit amounts to be withdrawn from the Capital

Reserve Fund other than pursuant to Section 506.

Section 710 - Compliance with Conditions Precedent. Upon the date of issuance of any of the Bonds, all conditions, acts and things required by law or by this Indenture to exist, to have happened or to have been performed precedent to or in the issuance of such Bonds shall exist, have happened and have been performed, or will have happened or been performed, and such Bonds, together with all other indebtedness of the Corporation shall be within every debt and other limit prescribed by law.

Section 711 - General. The Corporation shall do and perform or cause to be done and performed all acts and things required to be done or performed by or on behalf of the Corporation under the provisions of the Act and this Indenture in accordance with the terms of such provisions.

Section 712 - Waiver of Laws. The Corporation shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in this Indenture or in the Bonds, and all benefit or advantage of any such law is hereby expressly waived by the Corporation.

Section 713 - Servicing of Education Loans. The Corporation covenants that it will provide or cause to be provided servicing for the Pledged Loans. The Corporation hereby represents and warrants that it has the experience to administer and service the Education Loans in accordance with the requirements of the Act and, when applicable, the Higher Education Act and covenants that it shall at all times take all action to ensure that the Education Loans made with the proceeds of the sale of the Bonds and the administering and servicing of such Education Loans complies with the requirements of the Act and, with regards to Guaranteed Loans, the Higher Education Act.

Section 714 - Tax Covenants. (A) The Corporation shall not knowingly take or cause any action to be taken which would cause interest on any Bonds to become taxable for federal income tax purposes. The Corporation shall at all times do and perform all acts and things necessary or desirable, including, but not limited to, complying with the rebate provisions of Section 148 of the Code, as applicable, and complying with the provisions of any letter of instructions from Bond

and, with regards to Guaranteed Loans, the Higher Education Act.

Section 714 - Tax Covenants. (A) The Corporation shall not knowingly take or cause any action to be taken which would cause interest on any Bonds to become taxable for federal income tax purposes. The Corporation shall at all times do and perform all acts and things necessary or desirable, including, but not limited to, complying with the rebate provisions of Section 148 of the Code, as applicable, and complying with the provisions of any letter of instructions from Bond Counsel, in order to assure that interest paid on Bonds shall, for purposes of federal income taxation, be excludable from the gross income of the recipients thereof and exempt from taxation. The Corporation shall not permit at any time or times any proceeds of any Bonds or any amounts held hereunder to be used, directly or indirectly, in a manner which would result in the exclusion of any Bond from the treatment afforded by subsection (a) of Section 103 of the Code.

(B) This Section shall not apply to any Bonds the interest on which is intended by the Corporation not to be excluded from gross income for federal income tax purposes under Section 103 of the Code; provided, that no such Bonds shall be issued unless a Bond Counsel's opinion is filed with the Trustee stating that the issuance of such Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of the interest on any previously issued Bond.

Section 715 - Continuing Disclosure; Monitoring Report; Bankruptcy. (A) The Corporation hereby covenants and agrees that it will comply with and carry out all the provisions of each Continuing Disclosure Agreement. Notwithstanding any other provision of this Indenture, failure of the Corporation to comply with any Continuing Disclosure Agreement shall not be considered an Event of Default, and any Bondholder may take such actions only as may be provided in such Continuing Disclosure Agreement.

(B) The Corporation hereby covenants and agrees that it will file with Moody's, for as long as any Bonds are Outstanding as to which Moody's is a Rating Agency, an annual monitoring report substantially in the form attached hereto as Exhibit A; provided, however, that the Corporation and Moody's may at any time agree to waive the requirements of this subsection or to modify the form and content of the monitoring report or the

time for filing the monitoring report, and no such agreement is subject to notice, review, or approval by any party, including, but not limited to, the Trustee and the Bondholders. The Corporation shall file the first monitoring report with Moody's within 215 days after the close of the Corporation's fiscal year ending June 30, 2003 and, thereafter, shall file subsequent monitoring reports within 215 days after the end of each subsequent fiscal year.

(C) The Corporation hereby covenants and agrees that it will notify the Rating Agencies of any change in the Act which would permit it or require it to declare bankruptcy under the Bankruptcy Code.

ARTICLE VIII SUPPLEMENTAL INDENTURES

Section 801 - Supplemental Indentures Effective Upon filing With the Trustee. For any one or more of the following purposes and at any time or from time to time following written notice to the Rating Agencies, a Supplemental Indenture may be entered into by and between the Corporation and the Trustee

(1) To close this Indenture against, or provide limitations and restrictions in addition to the limitations and restrictions contained in this Indenture on, the authentication and delivery of Bonds or the issuance of other evidences of indebtedness;

(2) To add to the covenants and agreements of the Corporation in this Indenture other covenants and agreements to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(3) To add to the limitations and restrictions in this Indenture other limitations and restrictions to be observed by the Corporation which are not contrary to or inconsistent with this Indenture as theretofore in effect;

(4) To surrender any right, power or privilege reserved to or conferred upon the Corporation by the terms of this Indenture, but only if the surrender of such right, power or privilege is not contrary to or inconsistent with the covenants and

agreements of the Corporation contained in this Indenture;

(5) To authorize Bonds of a Series and, in connection therewith, (A) to specify and determine the matters and things referred to in, or otherwise take the actions described in, Sections 206, 302, 306(A), 307, 401(A)(2), 401(B), 510, 511, 601, 602, 603, 605, and 1102 and also any other matters and things relative to such Bonds which are not contrary to or inconsistent with this Indenture as theretofore in effect, (B) to amend, modify or rescind any such authorization, specification or determination at any time prior to the first authentication and delivery of such Bonds or (C) to add such provisions to this Indenture and, if necessary, amend the provisions of this Indenture as may be necessary to permit and provide for the issuance of such Bonds as bearer Bonds;

(6) To confirm, as further assurance, any pledge under, and the subjection to any lien or pledge created or to be created by, this Indenture, of the Trust Estate;

(7) To modify any of the provisions of this Indenture in any respect whatsoever, provided that (i) such modification shall be, and be expressed to be, effective only after all Bonds of any Series Outstanding at the date of the adoption of such Supplemental Indenture shall cease to be Outstanding, and (ii) such Supplemental Indenture shall be specifically referred to in the text of all Bonds of any Series authenticated and delivered after the date of the adoption of such Supplemental Indenture and of Bonds issued in exchange therefor or in place thereof; and

(8) To make such additions, deletions, or modifications as may be necessary to assure compliance with Section 148(d)(3) of the Code or Section 148(f) of the Code or the Higher Education Act or to obtain a satisfactory rating on a Series or Class of Bonds from a Rating Agency, provided, that no such additions, deletions or modifications intended to obtain a satisfactory rating shall cause

reduction in any ratings assigned by a Rating Agency to Bonds then Outstanding.

Section 802 - Supplemental Indentures Effective Upon Consent of Trustee. (A) For any one or more of the following purposes and at any time or from time to time following written notice to the Rating Agencies, a Supplemental Indenture may be adopted, which, upon (i) the filing with the Trustee of a copy thereof certified by an Authorized Officer, and (ii) the filing with the Trustee and the Corporation of an instrument in writing made by the Trustee consenting thereto, shall be fully effective in accordance with its terms:

(1) To cure any ambiguity, supply any omission, or cure or correct any defect or inconsistent provision in this Indenture; or

(2) To insert such provisions clarifying matters or questions arising under this Indenture as are necessary or desirable and are not contrary to or inconsistent with this Indenture as theretofore in effect; or

(3) To provide for additional duties of the Trustee in connection with the Pledged Loans; or

(4) To make any change that is accompanied by a Rating Confirmation reflecting such change or any change approved by a Credit Enhancement Agency if the change will only affect Bonds secured by Credit Enhancement issued by such Credit Enhancement Agency.

(B) Any such Supplemental Indenture may also contain one or more of the purposes specified in Section 801, and in that event, the consent of the Trustee required by this Section shall be applicable only to those provisions of such Supplemental Indenture as shall contain one or more of the purposes set forth in subsection (A) of this Section.

Section 803 - Supplemental Indentures Effective With Consent of Bondholders. At any time or from time to time, a Supplemental Indenture may be adopted subject to consent by Bondholders in accordance with and subject to the provisions of Article IX, which Supplemental Indenture, upon the filing with the Trustee of a copy thereof certified by an Authorized Officer and upon compliance with the

provisions of Article IX, shall become fully effective in accordance with its terms as provided in said Article.

Section 804 - General Provisions. (A) This Indenture shall not be modified or amended in any respect except as provided in and in accordance with and subject to the provisions of this Article and Article IX. Nothing in this Article or Article IX contained shall affect or limit the right or obligation of the Corporation to adopt, make, do, execute, acknowledge or deliver any resolution, act or other instrument pursuant to the provisions of Section 704 or the right or obligation of the Corporation to execute and deliver to any Fiduciary any instrument which elsewhere in this Indenture it is provided shall be delivered to said Fiduciary.

(B) Any Supplemental Indenture referred to and permitted or authorized by Sections 801 and 802 may be adopted by the Corporation without the consent of any of the Bondholders, but shall become effective only on the conditions, to the extent and at the time provided in said Sections, respectively. The copy of every Supplemental Indenture filed with the Trustee shall be accompanied by a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the Corporation and enforceable in accordance with its terms (subject, as to enforcement of remedies, to applicable bankruptcy, reorganization, insolvency, moratorium, or other laws affecting creditors' rights generally from time to time in effect).

(C) The Trustee is hereby authorized to accept the delivery of a certified copy of any Supplemental Indenture referred to permitted or authorized by Sections 801, 802 or 803 and to make all further agreements and stipulations which may be therein contained, and the Trustee, in taking such action, shall be fully protected in relying on an opinion of counsel (which may be a Counsel's Opinion) that such Supplemental Indenture is authorized or permitted by the provisions of this Indenture.

(D) No Supplemental Indenture shall change or modify any of the rights or obligations of any Fiduciary without its written assent thereto.

ARTICLE IX AMENDMENTS

Section 901 - Mailing of Notice of Amendment. Any provision in this Article for the mailing of a notice or other paper to Bondholders shall be fully complied with if it is mailed postage prepaid only (i) to each registered owner of Bonds then Outstanding at his address, if any, appearing upon the registry books of the Corporation, (ii) to each holder of any coupon Bond who shall have filed with the Trustee within two years preceding such mailing an address for notices, and (iii) to the Trustee.

Section 902 - Powers of Amendment. Any modification or amendment of this Indenture or of the rights and obligations of the Corporation and of the holders of the Bonds and coupons (if any) hereunder, in any particular, may be made by a Supplemental Indenture, with the written consent given as provided in Section 903, (i) of the holders of at least two-thirds in principal amount of the Bonds of the highest Class Outstanding at the time such consent is given, (ii) in case less than all of the several Series or Classes of Bonds then Outstanding are affected by the modification or amendment, of the holders of at least two-thirds in principal amount of the Bonds of each Series or Class so affected and Outstanding at the time such consent is given, and (iii) in case the modification or amendment changes the terms of any Sinking Fund Payment, of the holders of at least two-thirds in principal amount of the Bonds of the particular Series, Class, and maturity entitled to such Sinking Fund Payment and Outstanding at the time such consent is given; except that if such modification or amendment will, by its terms, not take effect so long as any Bonds of any specified like Series, Class, and maturity remain Outstanding, the consent of the holders of such Bonds shall not be required and such Bonds shall not be deemed to be Outstanding for the purpose of any calculation of Outstanding Bonds under this Section. No such modification or amendment shall permit a change in the terms of redemption or maturity of the principal of any Outstanding Bond or of any installment of interest thereon or a reduction in the principal amount or the Redemption Price thereof or in the rate of interest thereon without the consent of the holder of such Bond, or shall reduce the percentages or otherwise affect the classes of Bonds the consent of the holders of which is required to effect any such modification or amendment, or shall change or modify any of the rights or obligations of any Fiduciary without its

written assent thereto. For the purposes of this Section, a Series or Class shall be deemed to be affected by a modification or amendment of this Indenture if the same adversely affects or diminishes the rights of the holders of Bonds of such Series or Class. In determining whether in accordance with the foregoing powers of amendment Bonds of any particular Series, Class, or maturity would be affected by any modification or amendment hereof the Trustee shall request a Counsel's Opinion, on which it shall rely, and any such Counsel's Opinion shall be binding and conclusive on the Corporation and all holders of Bonds.

Section 903 - Consent of Bondholders. (A)

The Corporation may at any time adopt a Supplemental Indenture making a modification or amendment permitted by the provisions of Section 902, to take effect when and as provided in this Section. A copy of such Supplemental Indenture (or brief summary thereof or reference thereto), together with a request to Bondholders for their consent thereto, shall be mailed by the Corporation to Bondholders. Such Supplemental Indenture shall not be effective unless and until there shall have been filed with the Trustee (a) the written consents of holders of the percentages of Outstanding Bonds specified in Section 902 and (b) a Counsel's Opinion stating that such Supplemental Indenture has been duly and lawfully adopted and filed by the Corporation in accordance with the provisions of this Indenture, is authorized or permitted hereby and is valid and binding upon the Corporation and enforceable in accordance with its terms, and (ii) a notice shall have been mailed as hereinafter provided in this Section.

(B) The consent of a Bondholder to any modification or amendment shall be effective only if accompanied by proof of the holding, at the date of such consent, of the Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 1114. A certificate or certificates by the Trustee filed with the Trustee that it has examined such proof and that such proof is sufficient in accordance with Section 1114 shall be conclusive that the consents have been given by the holders of the Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the holder of the Bonds giving such consent and upon any subsequent holder of such Bonds and of any Bonds issued in exchange therefor (regardless of whether such subsequent holder thereof has notice thereof) unless such consent is revoked in writing by the

holder of such Bonds giving such consent or a subsequent holder thereof by filing with the Trustee, prior to the time when the written statement of the Trustee hereinafter provided for in this Section is filed, such revocation and, if such Bonds are transferable by delivery, proof that such Bonds are held by the signer of such revocation in the manner permitted by Section 1114. The fact that a consent has not been revoked may likewise be proved by a certificate of the Trustee filed with the Trustee to the effect that no revocation thereof is on file with the Trustee.

(C) At any time after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Corporation and the Trustee a written statement that the holders of such required percentages of Bonds have filed such consents. Such written statement shall be conclusive that such consents have been so filed. At any time thereafter notice, stating in substance that the Supplemental Indenture adopted by the Corporation on a stated date, a copy of which is on file with the Trustee, has been consented to by the holders of the required percentages of Bonds and will be effective as provided in this Section, may be given to Bondholders by the Corporation by mailing such notice to Bondholders at least once not more than ninety days after the holders of the required percentages of Bonds shall have filed their consents to the Supplemental Indenture and the written statement of the Trustee hereinabove provided for is filed. The Corporation shall file with the Trustee proof of the publication of such notice and, if the same shall have been mailed to Bondholders, of the mailing thereof. A record, consisting of the papers required or permitted by this Section to be filed with the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Corporation, the Fiduciaries and the holders of all Bonds at the expiration of forty days after the filing with the Trustee of the proof of the first publication of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for purpose commenced within such forty day period; except that any Fiduciary and the Corporation during such forty day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action,

with respect to such Supplemental Indenture as they may deem expedient.

Section 904 - Modifications by Unanimous Consent. The terms and provisions of this Indenture and the rights and obligations of the corporation and of the holders of the Bonds may be modified or amended in any respect upon the adoption and filing by the Corporation of a Supplemental Indenture and the consent of the holders of all the Bonds then Outstanding, such consent to be given as provided in Section 903 except that no notice to Bondholders either by mailing or publication shall be required; but no such modification or amendment shall change or modify any of the rights or obligations of any Fiduciary unless there shall have been filed with the Trustee such Fiduciary's written assent thereto in addition to the consent of the Bondholders.

Section 905 - Exclusion of Bonds. Bonds owned or held by or for the account of the Corporation shall not be deemed Outstanding for the purpose of consent or other action or any calculation of Outstanding Bonds provided for in this Article, and the Corporation shall not be entitled with respect to such Bonds to give any consent or take any other action provided for in this Article. At the time of any consent or other action taken under this Article, the Corporation shall furnish the Trustee a Certificate of an Authorized Officer of the Corporation, upon which the Trustee may rely, describing all Bonds so to be excluded.

Section 906 - Notation on Bonds. Bonds authenticated and delivered after the effective date of any action taken as in Article VIII or this Article provided may, and, if the Corporation so determines, shall bear a notation by endorsement or otherwise in form approved by the Corporation and the Trustee as to such action, and in that case upon demand of the holder of any Bond Outstanding at such effective date and presentation of his Bond for the purpose at the principal office of the Trustee or upon any transfer or exchange of any Bond Outstanding at such effective date, suitable notation shall be made on such Bond or upon any Bond issued upon any such transfer or exchange by the Trustee as to any such action. If the Corporation or the Trustee shall so determine, new Bonds so modified as in the opinion of the Trustee and the Corporation to conform to such action shall be prepared, authenticated and delivered, and upon demand of the holder of any Bond then Outstanding shall be exchanged, without cost to such Bondholder, for Bonds of the same

Series and maturity then Outstanding, upon surrender of such Bonds with all unpaid coupons, if any, appertaining thereto.

ARTICLE X DEFAULTS AND REMEDIES

Section 1001 - Trustee to Exercise Powers of Statutory Trustee. The Trustee shall be and hereby is vested with all of the rights, powers and duties of a trustee permitted to be appointed by the Corporation pursuant to Section 14.42.230 of the Act.

Section 1002 - Events of Default. Each of the following events is hereby declared an "Event of Default", that is to say if:

(1) the Corporation shall default in the payment of the principal or Redemption Price, if any, of any Bond of the highest Class Outstanding when and as the same shall become due, whether at maturity or upon call for redemption or otherwise;

(2) payment of any installment of interest on any of the Bonds of the highest Class Outstanding shall not be made when the same shall become due;

(3) the Corporation shall fail or refuse to comply with the provisions of this Indenture, or shall default in the performance or observance of any of the covenants, agreements or conditions on its part contained herein or in any Supplemental Indenture or the Bonds, and such failure, refusal or default shall continue for a period of forty-five days after written notice thereof by the Trustee or the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of the highest Class Outstanding;

(4) the Corporation shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the

appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts as they become due, or shall take any corporate action to authorize any of the foregoing;

(5) an involuntary case or other proceeding shall be commenced against the Corporation seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, and such involuntary case or other proceeding shall remain undismissed or unstayed for a period of 60 days; or an order for relief shall be entered against the Corporation under the Federal bankruptcy laws as now or hereafter in effect;

(6) any event of default shall have occurred and remain uncured under any Parity Obligation Instrument if there shall then be issued and outstanding thereunder Parity Obligations and if such Parity Obligations shall be of a Class at least equal to the highest Class of any Outstanding Bonds; and

(7) any event designated an Event of Default by a Supplemental Indenture shall have occurred and remain uncured.

The Trustee shall be deemed to have actual knowledge of an Event of Default described in (4) through (7) above only upon receipt by a Corporate Trust Officer of the Trustee of a written notice thereof.

Section 1003 - Remedies. (A) Upon the happening and continuance of any Event of Default specified in paragraph (1), (2) or (3) of Section 1002 as to which the Trustee has knowledge, the Trustee shall proceed, or upon the happening and continuance of any Event of Default specified in paragraph (4), (5), (6) or (7) of Section 1002 as to which the Trustee has knowledge, the Trustee may proceed, and upon the written request of the holders of not less than twenty-five per centum

(25%) in principal amount of the Outstanding Bonds of the highest Class, shall proceed, in its own name, subject to the provisions of Section 1103, to protect and enforce its rights and the rights of the Bondholders by such of the following remedies as the Trustee, being advised by counsel, shall deem most effectual to protect and enforce such rights:

(1) by mandamus or other suit, action or proceeding at law or in equity, to enforce all of the Bondholders' rights, including the right of the Trustee on behalf of the Bondholders to receive and collect all Pledged Receipts and to require the Corporation to carry out any other covenant or agreement with Bondholders and to perform its duties under the Act;

(2) by bringing suit upon the Bonds;

(3) by action or suit in equity, to require the Corporation to account as if it were the trustee of an express trust for the owners of the Bonds and then take such action with respect to the Pledged Loans and related documents as the Trustee shall deem necessary or appropriate and in the best interest of the Bondholders, subject to the terms of the Pledged Loans and related documents, including the sale of part or all of the Pledged Loans.

(4) by action or suit in equity, enjoin any acts or things which may be unlawful or in violation of the rights of the holders of the Bonds;

(5) by declaring all Bonds due and payable, and if all defaults shall be made good, then, with the written consent of the holders of not less than twenty-five per centum (25%) in principal amount of the Outstanding Bonds of the highest Class Outstanding, by annulling such declaration and its consequences; or

(6) by pursuing any rights or privileges it may have with respect to security for the Bonds under any Parity Obligation Instrument.

(B) In the enforcement of any rights and remedies under this Indenture, the Trustee shall be entitled to sue for, enforce payment on and

receive any and all amounts then or during any default becoming, and at any time remaining, due from the Corporation for principal, Redemption Price, Program Expenses, interest or otherwise, under any provision of this Indenture or a Supplemental Indenture or of the Bonds, and unpaid, with interest on overdue payments at the rate or rates of interest specified in such Bonds, together with any and all costs and expenses of collection and of all proceedings hereunder and under such Bonds, without prejudice to any other right or remedy of the Trustee or of the Bondholders, and to recover and enforce a judgment or decree against the Corporation for any portion of such amounts remaining unpaid, with interest, costs and expenses, and to collect from any moneys available for such purpose, in any manner provided by law, the moneys adjudged or decreed to be payable.

Section 1004 - Priority of Payments After Default. (A) In the event that upon the happening and continuance of any Event of Default, the funds held by the Trustee and Paying Agents shall be insufficient for the payment of principal or Redemption Price, if any, of and interest then due on the Bonds, such funds and any other moneys received or collected by the Trustee acting pursuant to the Act and this Article or with respect to Parity Obligations or Parity Obligation Instruments, after making provision for the payment of any expenses necessary in the opinion of the Trustee to protect the interests of the holders of the Bonds and for the payment of the charges and expenses and liabilities incurred and advances made by the Trustee or any Paying Agents in the performance of their respective duties under this Indenture, shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have come or have been declared due and payable, the Trustee shall make the following payments within the highest Class of Bonds Outstanding and, only after making all such payments within such Class, shall then make such payments within the next lower Class and, thereafter, shall make such payments within each succeeding lower Class:

FIRST: To the payment to person entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to

pay in full any installment, then to the payment thereof ratably, according to the amounts due on such installment, to the persons entitled thereto, without any discrimination or preference except with respect to Classes as described above; and

SECOND: To the payment to the persons entitled thereto of the unpaid principal or Redemption Price of any Bonds which shall have become due, whether at maturity or by call for redemption, in the order of their due dates and, if the amounts available shall not be sufficient to pay in full all the Bonds due on any date, then to the payment thereof ratably, according to the amounts of principal or Redemption Price, if any, due on such date, to the persons entitled thereto, without any discrimination or preference except with respect to Classes as described above.

(2) If the principal of all of the Bonds shall have become or have been declared due and payable, the Trustee shall make the following payments within the highest Class of Bonds Outstanding and, only after making all such payments, shall then make such payments within the next lower Class and, thereafter, shall make such payments within each succeeding lower Class: to the payment of the principal and interest then due and unpaid upon the Bonds of a Class without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond of such Class over any other Bond of such Class, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference except as to any difference in the respective rates of interest specified in the Bonds and coupons (if any).

(B) Whenever moneys are to be applied by the Trustee pursuant to the provisions of this Section, such moneys shall be applied by the Trustee at such times, and from time to time, as the Trustee in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of

additional money becoming available for such application in the future; the deposit of such moneys with the Paying Agents, or otherwise setting aside such moneys in trust for the proper purpose, shall constitute proper application by the Trustee; and the Trustee shall incur no liability whatsoever to the Corporation, to any Bondholder or to any other person for any delay in applying any such moneys, so long as the Trustee acts with reasonable diligence, having due regard for the circumstances, and ultimately applies the same in accordance with such provisions of this Indenture as may be applicable at the time of application by the Trustee. Whenever the Trustee shall exercise such discretion in applying such moneys, it shall fix the date (which shall be an Interest Payment Date unless the Trustee shall deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date shall cease to accrue. The Trustee shall give such notice as it may deem appropriate for the fixing of any such date. The Trustee shall not be required to make payment to the holder of any unpaid coupon or any Bond unless such coupon or Bond shall be presented to the Trustee for appropriate endorsement or cancellation.

Section 1005 - Termination of Proceedings.

In case of any proceedings taken by the Trustee on account of any Event of Default shall have been discontinued or abandoned for any reason, then in every such case the Corporation, the Trustee and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies, powers and duties of the Trustee shall continue as though no such proceeding had been taken.

Section 1006 - Bondholders' Direction of Proceedings.

Anything in this Indenture to the contrary notwithstanding, the holders of the majority in principal amount of the Bonds of the highest Class then Outstanding shall have the right by an instrument or concurrent instruments in writing executed and delivered to the Trustee, to direct the method of conducting all remedial proceedings to be taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law or the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bondholders not parties to such direction or would adversely affect the Trustee. The Trustee

may rely on an Opinion of Counsel that such direction would adversely affect Bondholders.

Section 1007 - Limitation on Rights of Bondholders. (A) No holder of any Bond shall have any right to institute any suit, action, mandamus or other proceeding in equity or at law hereunder, or for the protection or enforcement of any right under this Indenture or any right under law unless such holder shall have given to the Trustee written notice of the Event of Default or breach of duty on account of which such suit, action or proceeding is to be taken, and unless the holders of not less than twenty-five per centum (25%) in principal amount of the Bonds of the highest Class then Outstanding shall have made written request of the Trustee after the right to exercise such powers or right of action, as the case may be, shall have occurred, and shall have afforded the Trustee a reasonable opportunity either to proceed to exercise the powers herein granted or granted under the law or to institute such action, suit or proceeding in its name and unless, also, there shall have been offered to the Trustee reasonable security and indemnity against the costs, expenses and liabilities to be insured therein or thereby, and the Trustee shall have refused or neglected to comply with such request within a reasonable time; and such notification, request and offer of indemnity are hereby declared in every such case, at the option of the Trustee, to be conditions precedent to the execution of the powers under this Indenture or for any other remedy hereunder or under law. It is understood and intended that no one or more holders of the Bonds hereby secured shall have any right in any manner whatever by their action to affect, disturb or prejudice the security of this Indenture, or to enforce any right hereunder or under law with respect to the Bonds of this Indenture, except in the manner herein provided, and that all proceedings at law or in equity shall be instituted, had and maintained in the manner herein provided and for the benefit of all holders of the Outstanding Bonds. Nothing in this Article contained shall affect or impair the right of any Bondholder to enforce the payment of the principal or Redemption Price, if any, of and interest on such Bondholder's Bonds, or the obligation of the Corporation to pay the principal or Redemption Price, if any, of and interest on each Bond issued hereunder to the holder thereof at the time and place in said Bond expressed.

(B) Notwithstanding anything to the contrary contained in this Section, or any other provision of this Indenture, each holder of any Bond by such holder's acceptance thereof shall be

deemed to have agreed that any court in its discretion may require, in any suit for the enforcement of any right or remedy under this Indenture or any Supplemental Indenture, or in any suit against the Trustee for any action taken or omitted by it as Trustee, the filing by any party litigant in such suit of an undertaking to pay the reasonable costs of such suit, and that such court may in its discretion assess reasonable costs, including reasonable attorneys' fees, against any party litigant in any such suit, having due regard to the merits and good faith of the claims or defenses made by such party litigant; but the provisions of this paragraph shall not apply to any suit instituted by the Trustee, to any suit instituted by any Bondholder, or group of Bondholders, holding at least twenty-five per centum (25%) in principal amount of the Bonds of the highest Class Outstanding, or to any suit instituted by any Bondholder for the enforcement of the payment of the principal or Redemption Price of or interest on any Bond on or after the respective due date thereof expressed in such Bond.

Section 1008 - Possession of Bonds by Trustee Not Required. All rights of action under this Indenture or under any of the Bonds, enforceable by the Trustee, may be enforced by it without the possession of any of the Bonds or the production thereof on the trial or other proceeding relative thereto, and any such suit, action or proceeding instituted by the Trustee shall be brought in its name for the benefit of all the holders of such Bonds, subject to the provisions of this Indenture.

Section 1009 - Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or to the holders of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or by statute.

Section 1010 - No Waiver of Default. No delay or omission of the Trustee or of any holder of the Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee and the holders of the Bonds, respectively, may be exercised from time to time and as often as may be deemed expedient.

Section 1011 - Notice to Bondholders. The Trustee shall give to the Bondholders notice of each Event of Default hereunder known to the Trustee within ninety days after knowledge of the occurrence thereof, unless such Event of Default shall have been remedied or cured before the giving of such notice. Each such notice shall be given by the Trustee by mailing written notice thereof to all registered holders of Bonds, as the names and addresses of such holders appear upon the books for registration and transfer of Bonds as kept by the Trustee purpose and to such other persons as is required by law.

ARTICLE XI CONCERNING THE FIDUCIARIES

Section 1101 - Trustee. Zions First National Bank, a trust company or bank having the powers of a trust company doing business and having its principal office in the City of Denver, in the State of Colorado, is hereby appointed as Trustee. The Trustee shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by executing the certificate of authentication endorsed upon the Bonds, and, by executing such certificate upon any Bond, the Trustee shall be deemed to have accepted such duties and obligations not only with respect to the Bond so authenticated, but with respect to all the Bonds thereafter to be issued; but only, however, upon the terms and conditions set forth in this Indenture.

Section 1102 - Appointment and Acceptance of Duties of Paying Agents. (A) The Corporation shall appoint one or more Paying Agents for the Bonds of any Series in the Supplemental Indenture authorizing such Bonds or shall appoint such Paying Agent or Paying Agents by resolution of the Corporation adopted prior to the authentication and delivery of such Bonds, and may at any time or from time to time appoint one or more other Paying Agents in the manner and subject to the conditions set forth in Section 1113 for the appointment of a successor Paying Agent.

(B) Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it by this Indenture by written instrument of acceptance executed and delivered to the Corporation and the Trustee.

(C) The principal or corporate trust offices of the Paying Agents are hereby designated as the respective agencies of the Corporation for

the payment of the interest on and principal or Redemption Price of the Bonds.

Section 1103 - Responsibility of Fiduciaries. (A) The recitals of fact herein and in the Bonds contained shall be taken as the statements of the Corporation and no Fiduciary assumes any responsibility for the correctness of the same. No Fiduciary makes any representations as to the validity or sufficiency of this Indenture or of any Bonds or coupons issued thereunder or in respect of the security afforded by this Indenture or the Trust Estate, and no Fiduciary shall incur any responsibility in respect thereof. The Trustee shall, however, be responsible for its representation contained in its certificate on the Bonds. No Fiduciary shall be under any responsibility or duty with respect to any other Fiduciary. No Fiduciary shall be under any obligation or duty to perform any act which would involve it in expense or liability or to institute or defend any suit in respect hereof, or to advance any of its own moneys, unless indemnified to its satisfaction. No Fiduciary shall be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct. Neither the Trustee nor any Paying Agent shall be under any responsibility or duty with respect to the application of any moneys paid to any one of the others or the use or application by the Corporation of the Bonds or the proceeds thereof.

(B) Except during the continuance of an Event of Default, the Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations shall be read into this Indenture against the Trustee, and, in the absence of bad faith on its part, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinion expressed therein, upon certificates or opinions furnished to the Trustee and conforming to the requirements of this Indenture.

(C) In case an Event of Default has occurred and is continuing, the Trustee shall exercise such of the rights and powers vested in it by this Indenture and use the same degree of care and skill in their exercise as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

(D) No provision of this Indenture shall be construed to relieve the Trustee from liability for its own negligent action, its own negligent failure to

act, or its own willful misconduct, except that (1) the Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts, (2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of a majority in principal amount of the Outstanding Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee, under this Indenture, and (3) no provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers, if it shall have reasonable grounds for believing that repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it. Except as otherwise expressly provided herein, the Trustee shall determine whether any conditions or requirements set forth herein for any purpose have been met, and such determination by the Trustee shall be conclusive.

(E) Regardless of whether it is therein expressly so provided, every provision of this Indenture, any Supplemental Indenture, Parity Obligation Instrument, Credit Enhancement or any related document relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(F) The Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request or direction of any of the Bondholders pursuant to this Indenture, unless such Bondholders shall have offered to the Trustee security or indemnity to its satisfaction against the costs, expenses and liabilities which might be incurred by it in compliance with such request or direction.

(G) The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document.

(H) The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through

agents or attorneys, and the Trustee shall not be responsible for any misconduct or negligence on the part of any agent or attorney appointed with due care by it hereunder.

(I) The Trustee shall have no responsibility for or liability in connection with assuring that all of the procedures or conditions to closing set forth in the Purchase Agreement have been met on the Closing Date to the parties are actually delivered, except its own responsibility to receive the proceeds of the sale, deliver the Bonds, and deliver and receive other certificates and documents expressly required to be delivered by it and its counsel. The Trustee may assume that parties to the Purchase Agreement have waived their rights to receive documents or to require the performance of procedures if the parties to whom such documents are to be delivered or for whom such procedures are to be performed do not require delivery or performance on or prior to the Closing Date.

(J) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(K) In accepting the trusts hereby created, the Trustee acts solely as Trustee for the Bondholders and not in its individual capacity and all persons, including, without limitation, the Bondholders and the Corporation having any claim against the Trustee arising from this Indenture shall look only to the funds and accounts held by the Trustee or its agent hereunder for payment except as otherwise provided herein. Under no circumstances shall the Trustee be liable in its individual capacity for the obligations evidenced by the Bonds.

(L) The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. The Trustee shall not be responsible for the recording or filing of any document relating to this Indenture or of financing statements (or continuation statements in connection therewith) or of any supplemental instruments or documents or further assurance as may be required by law in order to perfect the security interests in any collateral given to or held by it.

(M) If, as a result of the occurrence of an Event of Default, the Corporation or the Trustee employs attorneys or incurs other fees and expenses for the collection of payments due

hereunder or for the enforcement of performance or observance of any obligation or agreement on the part of the Corporation, the Corporation will, on demand, reimburse the Trustee for the reasonable fees of such attorneys and such other reasonable fees and expenses so incurred; provided, however, that amounts in the Trust Estate shall first be applied as provided in Section 1004.

(N) In no event shall the Trustee be responsible for and it makes no representations or warranty, express or implied, with respect to, compliance with the Act, the making of Education Loans, the servicing of the Education Loans, or the sufficiency of the promissory notes or other instruments or documentation related thereto.

(O) The Trustee's rights to indemnification and payment of its fees, expenses, losses and liabilities shall survive its resignation or removal and final payment of the Bonds.

(P) The Trustee makes no representation as to the correctness or completeness of any information contained in the Official Statement or any other offering material pertaining to any Series of Bonds.

Section 1104 - Evidence on Which Fiduciaries May Act. Each Fiduciary may rely and shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bond or other paper or document believed by it to be genuine, and to have been signed or presented by the proper party or parties. Each Fiduciary may consult with counsel, who may or may not be of counsel to the Corporation, and the opinion of such shall be full and complete authorization and protection in respect of any action taken or suffered or omitted by it hereunder in good faith and in reliance thereon. Whenever any Fiduciary shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting any action hereunder, including payment of moneys out of any Fund or Account, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate signed by an Authorized Officer, and such Certificate shall be full warrant for any action taken or suffered in good faith under the provisions of this Indenture upon the faith thereof, but in its discretion the Fiduciary may in lieu thereof accept other evidence of such fact or matter or may require such further or additional evidence as to it may seem reasonable. Except as otherwise

expressly provided herein, any request, order, notice or other direction required or permitted to be furnished pursuant to any provision hereof by the Corporation to any Fiduciary shall be sufficient executed if executed in the name of the Corporation by an Authorized Officer.

Section 1105 - Compensation. The Corporation shall pay to the Trustee and to each Paying Agent from time to time reasonable compensation for all services rendered under this Indenture, and also all reasonable fees, expenses, charges, counsel fees and other disbursements, including those of their attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture, and the Trustee and each Paying Agent shall have a lien therefor on any and all funds at any time held by it under this Indenture. The Corporation further agrees to indemnify and save the Trustee and each Paying Agent harmless against any liabilities, losses, expenses, and advances which it may incur in the exercise and performance of its powers and duties hereunder, which are not due to its negligence or willful misconduct.

Section 1106 - Permitted Acts and Functions. The Trustee and any Paying Agent may become the owner of any Bonds and coupons, with the same rights it should have if it were not such Trustee or Paying Agent. The Trustee and any Paying Agent may act as Depositary for, and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders or to effect or aid in any reorganization growing out of the enforcement of the Bonds or this Indenture, regardless of whether any such committee shall represent the holders of a majority in principal amount of the Bonds then Outstanding.

Section 1107 - Resignation of Trustee. The Trustee may at any time resign and be discharged of the duties and obligations created by this Indenture by giving not less than ninety days written notice to the Corporation and to the registered owners of the Bonds, specifying the date when such resignation shall take effect. If any Bonds are Outstanding in bearer form, the Trustee shall also publish such notice once in an Authorized Newspaper. Such resignation shall take effect upon the day specified in such notice unless previously a successor shall have been appointed, as provided in Section 1109, in which event such resignation shall take effect immediately on the appointment of such successor. Notwithstanding any of the

foregoing, no registration of the Trustee shall be effective until a successor has been appointed.

Section 1108 - Removal of Trustee. The Trustee shall be removed by the Corporation if at any time so requested by an instrument or concurrent instruments in writing, filed with the Trustee and the Corporation, and signed by the holders of a majority in principal amount of the Bonds then Outstanding or their attorneys-in-fact duly authorized, excluding any Bonds held by or for the account of the Corporation. The Corporation may remove the Trustee at any time, except during the existence of an Event of Default, for such cause as shall be determined in the sole discretion of the Corporation by filing with the Trustee an instrument signed by an Authorized Officer of the Corporation.

Section 1109 - Appointment of Successor Trustee. (A) In case at any time the Trustee shall resign or shall be removed or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or if a receiver, liquidator or conservator of the Trustee, or of its property, shall be appointed, or if any public officer shall take charge or control of the Trustee, or of its property or affairs, the Corporation covenants and agrees that it will thereupon appoint a successor Trustee. The Corporation shall provide written notice of such appointment to the registered owners of the Bonds and, if any Bonds are Outstanding in bearer form, shall also publish notice of such appointment in an Authorized Newspaper, such notice to be given and publication to be made within twenty days after such appointment.

(B) If in a proper case no appointment of a successor Trustee shall be made pursuant to the foregoing provisions of this Section within forty-five days after the Trustee shall have given to the Corporation written notice, as provided in Section 1107, or after a vacancy in the office of the Trustee shall have occurred by reason of its inability to act, the Trustee or the holder of any Bond may apply to any court of competent jurisdiction to appoint a successor Trustee. Said court may thereupon, after such notice, if any, as such court may deem proper and prescribe, appoint a successor Trustee.

(C) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a trust company or bank in good standing having the powers of a trust company within or outside the State and subject to examination by federal or state authority, having a capital and surplus aggregating at least Seventy-

Five Million Dollars (\$75,000,000) and acceptable to each Credit Enhancement if there be such a trust company or bank willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

Section 1110 - Transfer of Rights and Property to Successor Trustee. Any successor Trustee appointed under this Indenture, shall execute, acknowledge and deliver to its predecessor Trustee, and also to the Corporation, an instrument accepting such appointment, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become fully vested with all moneys, estates, properties, rights, powers, duties and obligations of such predecessor Trustee, with like effect as if originally named as Trustee; but the Trustee ceasing to act shall nevertheless, on the request of the Corporation, or of the successor Trustee, execute, acknowledge and deliver such instruments of conveyance and further assurance and do such other things as may reasonable be required for more fully and certainly vesting and confirming in such successor Trustee all the right, title and interest of the predecessor Trustee in and to any property held by it under this Indenture, and shall pay over, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Should any deed, conveyance or instrument in writing from the Corporation be required by such successor Trustee for more fully and certainly vesting in and confirming to such successor Trustee any such estates, rights, powers and duties, any and all such deeds, conveyances and instruments in writing shall, on request, and so far as may be authorized by law, be executed, acknowledged and delivered by the Corporation. Any such successor Trustee shall promptly notify the Paying Agents of its appointment as Trustee. The Corporation shall pay the expenses of effecting a transfer under this Section.

Section 1111 - Merger or Consolidation. Any company into which any Fiduciary may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which any Fiduciary may sell or transfer all or substantially all of its corporate trust business, provided such company shall be a trust company or bank which is qualified to be a successor to such Fiduciary under Section 1110 or Section 1113 and shall be authorized by law to perform all the duties imposed upon it by this

Indenture, shall be the successor to such Fiduciary without the execution or filing of any paper or the performance of any further act, anything herein to the contrary notwithstanding.

Section 1112 - Adoption of Authentication. In case any of the Bonds contemplated to be issued under this Indenture shall have been authenticated but not delivered, any successor Trustee may adopt the certificate of authentication of any predecessor Trustee so authenticating such Bonds and deliver such Bonds so authenticated, and in case any of the said Bonds shall not have been authenticated, any successor Trustee may authenticate such Bonds in the name of the successor Trustee, and in all such cases such certificate shall have the full force which it is anywhere in said Bonds or in this Indenture provided that the certificate of the Trustee shall have.

Section 1113 - Resignation or Removal of the Paying Agents and Appointment of Successors. (A) Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty days' written notice to the Corporation and Trustee. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee and signed by an Authorized Officer of the Corporation. Any successor Paying Agent shall be appointed by the Corporation and shall be a trust company or bank having the powers of a trust company, having a capital and surplus aggregating at least Three Million Dollars (\$3,000,000), and willing and able to accept the office of Paying Agent on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.

(A) In the event of the resignation or removal of any Paying Agent, such Paying Agency shall pay over, assign and deliver any moneys held by it to its successor, or if there be no successor then appointed, to the Trustee until such successor be appointed.

Section 1114 - Evidence of Signatures of Bondholders and Ownership of Bonds. (A) Any request, consent or other instrument which this Indenture may require or permit to be signed and executed by the Bondholders may be in one or more instruments of similar tenor, and shall be signed or executed by such Bondholders in person or by their attorneys appointed in writing. Proof of (i) the execution of any such instrument, or of an

instrument appointing any such attorney, or (ii) the holding by any person of the Bonds or coupons appertaining thereto shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable:

(1) The fact and date of the execution by any Bondholder or his attorney of such instrument may be proved by the certificate, which need not be acknowledged or verified, of an officer of a bank or trust company satisfactory to the Trustee or of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which she purports to act, that the person signing such request or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Bondholder may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its secretary or an assistant secretary;

(2) The amount of Bonds transferable by delivery held by any person executing such request or other instrument as a Bondholder, and the numbers and other identification thereof, and the date of his holding such Bonds, may be proved by a certificate, which need not be acknowledged or verified, satisfactory to the Trustee, executed by an officer of a trust company, bank, financial institution or other depository or member of the National Association of Securities Dealers, Inc. wherever situated, showing that at the date therein mentioned such person exhibited to such officer or had on deposit with such depository the Bonds described in such certificate. Continued ownership after the date stated in such certificate may be proved by the presentation of such certificate if the certificate contains a statement by such officer that the

depository held that Bonds therein referred to on the date of the certificate and that they will not be surrendered without the surrender of the certificate to the depository, except with the consent of the Trustee, and a certificate of the Trustee, which need not be acknowledged or verified, that such consent has not been given.

(B) Except in the case of Bonds transferable by delivery only, the ownership of Bonds and the amount, numbers and other identification, and date of holding the same shall be proved by the registry books. Any request, consent or vote of the owner of any Bond shall bind all future owners of such Bond in respect of anything done or suffered to be done by the Corporation or any Fiduciary in accordance therewith.

Section 1115 - Preservation and Inspection of Documents. All documents received by any Fiduciary under the provisions of this Indenture or any Supplemental Indenture shall be retained in its possession until six (6) years after the final payment of principal of the Bonds becomes due and payable and shall be subject at all reasonable times to the inspection of the Corporation, any other Fiduciary and any Bondholder and their agents and their representatives, any of whom may make copies thereof.

Section 1116 - Administration of Education Loan Program. The Corporation agrees that the Trustee shall have no responsibility whatsoever for monitoring, or any other activity, with respect to the Corporation's administration of the Education Loan Program or the servicing of the Education Loans.

Section 1117 - Power to Appoint Co-Trustee. (A) At any time after an Event of Default, if necessary to meet the legal requirements of any applicable jurisdiction, the Trustee shall have power to appoint one or more co-trustees under this Indenture, with such powers as may be provided in the instrument of appointment, and to vest in such person or persons any property, title, right or power deemed necessary or desirable, subject to the remaining provisions of this Section.

(B) Each co-trustee shall, to the extent permitted by applicable law, be appointed subject to the following terms:

(i) The Bonds shall be authenticated and delivered solely by the

Trustee, and all rights, powers, duties and obligations hereunder in respect of the custody of Investment Securities, cash and other personal property held by, or required to be deposited or pledged with, the Trustee hereunder shall be exercised solely by the Trustee.

(ii) The rights, powers duties and obligations hereby conferred or imposed upon the Trustee in respect of any property covered by such appointment shall be conferred or imposed upon and exercised or performed by the Trustee or by the Trustee and co-trustee jointly, as shall be provided in the instrument appointing such co-trustee, except to the extent that, under any law of any jurisdiction in which any particular act or acts are to be performed, the Trustee shall be incompetent or unqualified to perform such act or acts, in which event such rights, powers, duties and obligations shall be exercised by such co-trustee.

(iii) The Trustee may at any time, by an instrument in writing executed by it, accept the resignation of or remove any co-trustee appointed under this Section.

(iv) No power given to any co-trustee shall be separately exercised hereunder by such co-trustee except with the consent in writing of the Trustee, anything contained in this Section to the contrary notwithstanding.

(C) Should any written instrument from the Corporation be required by any co-trustee so appointed for more fully confirming to such co-trustee such rights, powers, duties and obligations, any and all such instruments shall, on request, be executed, acknowledged and delivered by the Corporation forthwith.

(D) The rights, powers and duties of the Corporation with respect to any co-trustee shall be the same as its rights, powers and duties with respect to the Trustee.

ARTICLE XII MISCELLANEOUS

Section 1201 - Defeasance. (A) If the Corporation shall pay or cause to be paid to the holders of the Bonds, the principal and interest and

Redemption Price, if any, to become due thereon, at the times and in the manner stipulated therein and in this Indenture, and also shall pay or cause to be paid all other sums payable hereunder by the Corporation, including any amounts payable to the United States, then the pledge of any revenues and assets hereby pledged and all other rights granted hereby shall, at the election of the Corporation (evidenced by a certificate of an Authorized Officer filed with the Trustee, signifying the intention of the Corporation to discharge all such indebtedness and this Indenture and any Supplemental Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, be discharged and satisfied. In such event, the Trustee shall, upon the written request of the Corporation, execute and deliver to the Corporation all such instruments as may be desirable to evidence such discharge and satisfaction and the Fiduciaries shall pay over or deliver to the Corporation all moneys or securities held by them pursuant to this Indenture which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption.

(B) If funds shall have been set aside and shall be held in trust by Fiduciaries for the payment of principal, interest and Redemption Price (through deposit by the Corporation of funds for such payment or redemption or otherwise) at the maturity or upon the date upon which such Bonds have been duly called for redemption thereof, such Bonds shall be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section. All Outstanding Bonds shall, prior to the maturity or redemption date thereof, be deemed to have been paid within the meaning and with the effect expressed in subsection (A) of this Section if (i) in case any of said Bonds are to be redeemed on any date prior to their maturity, the Corporation shall have given to the Trustee in form satisfactory to it irrevocable instructions to publish as provided in Article VI notice of redemption on said date of such Bonds, (ii) there shall have been deposited with the Trustee either funds in an amount which shall be sufficient, or Investment Securities which are not subject to redemption prior to the dates on which amounts will be needed to make payments on the Bonds defeased and the principal of and the interest on which when due will provide moneys which, together with the moneys, if any, deposited with the Trustee at the same time, shall be sufficient in the opinion of an Accountant delivered to the Trustee, to pay when due the principal or Redemption Price, if any, and interest due and to

become due on said Bonds on any date prior to the redemption date or maturity date thereof, as the case may be, (iii) in the event said Bonds are not by their terms subject to redemption within the next succeeding sixty days, the Corporation shall have given the Trustee in form satisfactory to it irrevocable instructions to mail a notice to the holders of such Bonds that the deposit required by (ii) above has been made with the Trustee and that said Bonds are deemed to have been paid in accordance with this Section and stating such maturity or redemption date upon which moneys are to be available for the payment of the principal or Redemption Price, if any, of said Bonds and (iv) a Counsel's Opinion stating that all conditions precedent to the satisfaction and discharge of this Indenture have been complied with, the defeasance complies with the terms of this Indenture, and the defeasance will not adversely affect the tax status of the Bonds. Neither Investment Securities or moneys deposited with the Trustee pursuant to this Section nor principal or interest payments on any such Investment Securities shall be withdrawn or used for any purpose other than, and shall be held in trust for, the payment of the principal or Redemption Price, if any, of and interest on said Bonds; provided that any cash received from such principal or interest payments on such Investment Securities deposited with the Trustee, if not then needed for such purpose, shall, to the extent practicable, be reinvested in Investment Securities maturing at times and in amounts sufficient to pay when due the principal or Redemption Price, if any, and interest to become due on said Bonds on and prior to such redemption date or maturity date thereof, as the case may be, and interest earned from such reinvestments shall be paid over to the Corporation, as received by the Trustee, free and clear of any trust, lien or pledge.

(C) If, through the deposit of moneys by the Corporation or otherwise, the Fiduciaries shall hold, pursuant to this Indenture, moneys sufficient to pay the principal and interest to maturity on all Outstanding Bonds or to pay, in the case of Bonds in respect of which the Corporation shall have taken all action necessary to redeem prior to maturity, the Redemption Price and interest to such redemption date, then at the written request of the Corporation all moneys held by any Paying Agent shall be paid over to the Trustee and, together with other moneys held by it hereunder, shall be held by the Trustee for the payment or redemption of Outstanding Bonds.

(D) Anything in this Indenture to the contrary notwithstanding, any moneys held by a Fiduciary in trust for the payment and discharge of any of the Bonds which remain unclaimed for six years after the date when all of the Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Fiduciary at such date, or for six years after the date of deposit of such moneys if deposited with the Fiduciary after the said date when all of the Bonds became due and payable, shall be repaid by the Fiduciary to the Corporation, as its absolute property and free from trust, and the Fiduciary shall thereupon be released and discharged.

Section 1202 - Moneys Held for Particular Bonds. The amounts held by any Fiduciary for the payment of the interest, principal or Redemption Price due on any date with respect to particular Bonds shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the holders of the Bonds entitled thereto. If any such amount remains unclaimed for a period of six years after such date, the Trustee shall pay over such amount, together with all investment earnings thereon and all investment earnings on any investment earnings, to the Corporation.

Section 1203 - No Recourse Under Indenture or on Bonds. All covenants, stipulations, promises, agreements and obligations of the Corporation contained in this Indenture shall be deemed to be the covenants, stipulation, promises, agreements and obligations of the Corporation and not of any member, officer or employee of the Corporation in his individual capacity, and no recourse shall be had for the payment of the principal or Redemption Price of or interest on the Bonds or for any claim based thereon or on this Indenture against any member, officer or employee of the Corporation or any natural person executing the Bonds.

Section 1204 - Notices to Rating Agencies and to Credit Enhancers. The Trustee shall give prompt notice to the Rating Agencies and any Credit Enhancers of the resignation of the Trustee or the appointment of any successor Trustee, of any amendment to or modification of this Indenture or the execution of any Supplemental Indenture or when there are no longer any Bonds remaining Outstanding. All notices to a Rating Agency or a Credit Enhancer hereunder shall be sent by first

class mail to the address provided to the Trustee by such Rating Agency or Credit Enhancer.

Section 1205 - Conflict. All resolutions or parts of resolutions or other proceedings of this Corporation in conflict herewith be and the same are repealed insofar as such conflict exists.

Section 1206 - Governing Law. This Indenture and the Bonds shall be construed in accordance with, and governed by, the laws of the State of Alaska.

Section 1207 - Effective Date. This Indenture shall take effect immediately upon its execution.

IN WITNESS WHEREOF, ALASKA STUDENT LOAN CORPORATION has caused this Indenture to be executed by its Executive Officer and Zions First National Bank has caused this Indenture to be executed by its Assistant Vice President and Trust Officer, all as of the day and year first above written.

ALASKA STUDENT LOAN
CORPORATION

By _____
DIANE BARRANS
Executive Officer

ZIONS FIRST NATIONAL BANK

By _____
DAVID W. BATA
Vice President

EXHIBIT A
MONITORING REPORT
EXHIBIT B
CUSTODIAN/DEPOSITARY/SERVICING
AGREEMENT

[RESERVED]

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Reset Auction Mode Securities and Auction Procedures

The following description has been provided by the Underwriter, and the Corporation assumes no responsibility for the accuracy of the information contained herein. No assurance can be given that the procedures described herein will not change subsequent to the date hereof. The Auction Procedures for RAMS are as set forth below. All of the terms used in this Appendix IV are defined herein or in other parts of this Official Statement.

Definitions

“*AA' Composite Commercial Paper Rate*,” on any date of determination, means (i) the Bond Equivalent Yield of the 30-day rate on commercial paper placed on behalf of issuers whose corporate bonds are rated “AA” by Standard & Poor’s Ratings Group, or the equivalent of such rating by Standard & Poor’s Ratings Group, as made available on a discount basis or otherwise by the Federal Reserve Bank of New York for the Business Day immediately preceding such date of determination; or (ii) if the Federal Reserve Bank of New York does not make available any such rate, then the arithmetic average of the Bond Equivalent Yield of the 30-day rate on commercial paper placed on behalf of such issuers, as quoted to the Auction Agent on a discount basis or otherwise, by at least three dealers of commercial paper, or such fewer entities as may then be dealers of commercial paper, as of the close of business on the Business Day immediately preceding such date of determination.

“*Adjustable Rate*” means an Auction Rate or any other rate of interest which may change from time to time.

“*After-Tax Equivalent Rate*,” on any date of determination, means the interest rate per annum equal to the product of:

- (a) the “AA” Composite Commercial Paper Rate on such date; and
- (b) 1.00 minus the lower of the Statutory Corporate Tax Rate and the Statutory Personal Tax Rate on such date.

For purposes of this definition, the term “*Statutory Corporate Tax Rate*” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of every corporation as set forth in Section 11 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the date hereof is 35%, and “*Statutory Personal Tax Rate*” means, as of any date of determination, the highest tax rate bracket (expressed in decimals) now or hereafter applicable in each taxable year on the taxable income of a natural person as set forth in Section 1 of the Code or any successor section without regard to any minimum additional tax provision or provisions regarding changes in rates during a taxable year, which on the date hereof is 39.6%.

“*All-Hold Rate*,” on any date of determination, means the interest rate per annum equal to 90% (as such percentage may be adjusted pursuant to the Indenture) of the lesser of:

- (a) the After-Tax Equivalent Rate; and
- (b) the Kenny Index on such date;

rounded to the nearest one thousandth of 1% (.001); provided that in no event shall the All-Hold Rate be more than the Interest Rate Limitation or less than zero.

“*Applicable Number of Business Days*” means the greater of two Business Days or one Business Day plus the number of Business Days by which the Auction Date precedes the first day of the next succeeding Auction Period.

“Applicable Percentage,” on the date of determination, means the percentage determined (as such percentage may be adjusted pursuant to the Indenture) based on the lower of the prevailing credit ratings on the RAMS in effect at the close of business on the Business Day immediately preceding such date, as set forth below:

Credit Rating		Applicable Percentage
Moody’s Investors Service	Fitch Ratings	
“Aaa”	“AAA”	150%
“Aa” to “Aa1”	“AA-” to “AA+”	150%
“A” to “A1”	“A-” to “A+”	150%
“Baa” to “Baa1”	“BBB-” to “BBB+”	175%
Below “Baa”	Below “BBB-”	200%

provided, that, in the event that the RAMS are not rated by any Rating Agency, the Applicable Percentage shall be 200%, and provided further, that if a Payment Default shall have occurred and be continuing, the Applicable Percentage shall be 200%. For purposes of this definition, Fitch Ratings’ rating categories of “AAA,” “AA,” “A” and “BBB,” and Moody’s Investors Service’s rating categories of “Aaa,” “Aa,” “A” and “Baa,” refer to and include the respective rating categories correlative thereto if either or both of such rating agencies have changed or modified their generic rating categories or if Moody’s Investors Service or Fitch Ratings no longer rates the RAMS and have been replaced.

“Applicable Spread” means, on any date of determination, the following percentages to be used in the computation of the T-Bill Cap and the CP Cap, as applicable, based on the lowest rating assigned to 2006 Bonds bearing interest at an Auction Rate as of such date:

Credit Rating		Applicable T-Bill Spread	Applicable CP Spread
Moody’s Investors Service	Fitch Ratings		
Aaa	AAA	1.25%	0.75%
Aa	AA	1.25%	0.75%
A	A	1.25%	0.75%
Baa	BBB	1.50%	1.00%
Below Baa	Below BBB	2.00%	1.50%

“Auction Agency Agreement” means the Auction Agency Agreement between the Trustee and the Auction Agent and any similar agreement with a successor Auction Agent, in each case as from time to time amended or supplemented.

“Auction Bond Interest Rate” means each rate of interest per annum borne by any Bonds for each Auction Period and determined in accordance with the provisions of Article III, Exhibit A of the Multi-Mode Annex; provided, however, that in the event of a Payment Default, the Auction Bond Interest Rate shall equal the Overdue Rate; and provided further that such Auction Bond Interest Rate shall in no event exceed the Maximum Auction Rate.

“Auction Date” means initially the date specified in the Indenture, and thereafter, the Business Day immediately preceding the first day of each Auction Period, other than;

- (a) an Auction Period which commences on a Conversion Date;
- (b) each Auction Period commencing after the ownership of Series RAMS is no longer maintained in book-entry form by the Depository;
- (c) each Auction Period commencing after the occurrence and during the continuance of a Payment Default; or

(d) any Auction Period commencing less than the Applicable Number of Business Days after the cure of waiver of a Payment Default.

Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed pursuant to the Indenture.

"Auction Period" means for RAMS each period for which an Auction Bond Interest Rate is determined pursuant to the Auction Procedures, which Period initially shall consist generally of 35 days as the same may be adjusted pursuant to the procedures described in this Appendix IV under "Changes in Auction Periods or Auction Date-- *Changes in Auction Period or Periods.*"

"Auction Procedures" means the procedures for determining the rate of interest that a series of Series RAMS will bear for an Auction Period as set forth in Sections 3.01 and 3.02 of Exhibit A of the Multi Mode Annex and described herein under the captions "Reset Auction Mode Securities -- Interest -- Auction generally."

"Auction Rate Period" means, for any 2006 Bonds, any period during which such 2006 Bonds bear interest at an Auction Rate, which period shall commence on the date of issuance of such 2006 Bonds or on the effective date of Conversion to an Auction Rate, as the case may be, and shall extend through the day immediately preceding the earlier of (a) the effective date of a Conversion to another Rate Period or (b) the Stated Maturity Date of such Bonds.

"Bond Equivalent Yield" means, with respect to any security with a maturity of six months or less the rate for which is quoted in *The Wall Street Journal* on a bank discount basis, the yield calculated in accordance with the following formula and rounded up to the nearest one one-hundredth of one percent:

$$\frac{R \times N}{360 - (R \times D)} \times 100$$

where "R" refers to the interest rate per annum for the security quoted on a bank discount basis expressed as a decimal, "N" refers to 365 or 366 days, as applicable, and "D" refers to the number of days to maturity.

"Broker-Dealer" means, initially, RBC Capital Markets, and any other broker or dealer (as defined in the Securities Exchange Act), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth in the Auction Procedures that is a Participant (or an affiliate of a Participant), has been selected by the Corporation pursuant to the Indenture and has entered into a Broker-Dealer Agreement that remains effective.

"Broker-Dealer Agreement" means each agreement between the Auction Agent and a Broker-Dealer pursuant to which the Broker-Dealer agrees to participate in Auctions as set forth in the Auction Procedures, as from time to time amended or supplemented. Each Broker-Dealer Agreement shall be substantially in the form of the Broker-Dealer Agreement between Deutsche Bank Trust Company Americas, as Auction Agent, and RBC Capital Markets, as the sole initial Broker-Dealer.

"Business Day" means any day other than a Saturday, Sunday or other day on which the New York Stock Exchange or banks are authorized or obligated by law or executive order to close in New York, New York, or in the city in which is located the principal office of the Auction Agent as provided in the Auction Agency Agreement, or, as notified to the Auction Agent in writing, in any city in which is located the principal corporate trust office of the Trustee, the Credit Provider or the liquidity provider, if any, at which demands for a draw on, or borrowing or payment under the Credit Enhancement or liquidity facility will be made.

"Calculation Period" means for the 2006 Bonds any daily, weekly, monthly, flexible, term or other period for which an Adjustable Rate (other than an Auction Rate) or a Fixed Rate is determined while such 2006 Bonds bears interest at such Adjustable Rate or Fixed Rate.

"Change of Preference Law" means, with respect to any Series RAMS Holder, any amendment to the Code or other statute enacted by the Congress of the United States or any temporary, proposed or final regulation promulgated by the United States Treasury after the date of Series RAMS issuance which (i) changes or would change any deduction, credit or other allowance allowable in computing liability for any federal tax with respect to, or (ii) imposes or would

impose or reduces or would reduce or increases or would increase any federal tax (including, but not limited to, preference or excise taxes) upon, any interest earned by any holder of Series RAMS.

"Changes in the Interest Rate Mode" means any change in the Calculation Period for the Adjustable Rate borne by the Bonds pursuant to the Indenture.

"Conversion" means any conversion of any 2006 Bonds (from time to time in accordance with the terms of the Multi-Mode Annex) from one Rate Period to another Rate Period.

"Conversion Date" means the effective date of any Change in the Interest Rate Mode or the Fixed Rate Conversion Date.

"Conversion Supplement" means any Supplemental Indenture providing for the conversion of the interest rate on the 2006 Bonds to a different Adjustable Rate or a Fixed Rate.

"CP Cap" means, for any Auction Date, the rate (for the then current Auction) at which the Quarterly Average Auction Rate equals the Quarterly Average CP Rate plus the Applicable CP Spread, such rate to be determined by the formula:

$$N \times (C + S) - R,$$

where N is the number of Auction Dates which precede the current Auction Date by 91 days or less, including the current Auction Date; C is the Quarterly Average CP Rate, S is the Applicable Spread; and R is the sum of the Auction Rates for Auction Dates preceding the current Auction Date by 91 days or less, excluding the current Auction.

"Determination Date" means, (a) so long as Series RAMS bear interest at an Auction Rate, each Auction Date, (b) for any Calculation Period, the first Business Day before such Calculation Period, and (c) for the Fixed Rate Period, any date within fifteen days before the Fixed Rate Conversion Date; or, in the case of (b) or (c), any other date specified in a Conversion Supplement.

"Existing Holder" means a person who has signed a Master Purchaser's Letter and is listed as the owner of Series RAMS in the records of the Auction Agent.

"Fixed Rate" means for the 2006 Bonds a Term Rate for a period ending on the Stated Maturity Date of the 2006 Bonds bearing interest at such Rate.

"Fixed Rate Conversion Date" means the date on which the Fixed Rate takes effect as provided in the Indenture.

"Fixed Rate Period" means the period, if any, during which all or a portion of a series of Bonds bear interest at a Fixed Rate, which period shall commence on the Fixed Rate Conversion Date and extend through the final maturity date of a series of Bonds.

"Holder" means the beneficial owner of any 2006 Bonds.

"Initial Auction Period" means any period commencing on the date of issuance of 2006 Bonds designated as Series RAMS or the date of Conversion of 2006 Bonds to an Auction Rate and ending on the day after the first Auction Date following such issuance or Conversion.

"Interest Payment Period" means for a series of 2006 Bonds, the period of time during which interest accrues, but is not due to be paid, on such 2006 Bonds at one or more Adjustable Rates or at a Fixed Rate commencing either on the date of issuance of such 2006 Bonds or on the date of conversion of such 2006 Bonds from one Interest Period to a different Interest Period through and including the day immediately preceding the next succeeding Interest Payment Date.

"Interest Period" means (i) an Auction Period or (ii) a Calculation Period,

"Interest Rate Limitation", on any date of determination, means the interest rate per annum equal to the lesser of:

- (i) 14% per annum, or
- (ii) the maximum rate of interest permitted under State law.

"Kenny Index" means the index most recently made available by Kenny S&P Evaluation Services ("Kenny") or any successor thereto (the "Indexing Agent") based upon 30-day yield evaluations at par of securities, the interest on which is excluded from gross income for federal income tax purposes under the code, of not less than five "Intermediate Grade" component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The securities on which the Kenny Index is based shall not include any securities the interest on which is subject to a "minimum tax" or similar tax under the Code, unless all such securities are subject to such tax. In the event that Kenny no longer publishes an index satisfying the above definition of the Kenny Index or the Market Agent reasonably concludes that the Kenny Index will not be announced in a timely manner, then the Market Agent shall announce a rate based upon the same criteria used by Kenny to determine the Kenny Index and the rate announced by the market Agent for each Auction Date thereafter shall be used in lieu of the Kenny Index for each Auction Date.

"Market Agent Agreement" means the Market Agent Agreement between the Trustee and the Market Agent, and any similar agreement with a successor Market Agent, in each case as from time to time amended or supplemented.

"Maximum Auction Rate" on any date means the lesser of:

- (i) the Applicable Percentage of the greater of (1) the After-Tax Equivalent Rate on such date or (2) the Kenny Index on such date (in either case rounded to the nearest 1/1,000 of 1%); or
- (ii) for Auctions after the Initial Auction Date, the T-Bill Cap; or
- (iii) for Auctions after the Initial Auction Date, the CP Cap; or
- (iv) the Interest Rate Limitation, rounded to the nearest 1/1,000 of 1%.

"Multi-Mode Annex" means Exhibit A and Exhibit E attached to the Fifth Supplemental Indenture, dated as of May 1, 2006, between the Corporation and the Trustee.

"90-Day Financial Commercial Paper" means the 90-Day AA Financial Commercial Paper rate posted on the Federal Reserve Release entitled "Commercial Paper Rates and Outstandings," which rate may be available on the Internet at www.federalreserve.gov/releases/cp.

"One-Month LIBOR" means the meaning ascribed to such term in the definition of "Applicable LIBOR Rate."

"Overdue Rate" on any date of determination, means the interest rate per annum equal to the lesser of: (i) 200% of the greater of the Applicable Percentage of the greater of (A) the Kenny Index and (B) the After-Tax Equivalent Rate, or (ii) the Interest Rate Limitation.

"Participant" means a member of, or participant in, the Securities Depository.

** This Internet address is contained herein as a matter of convenience for purchasers of the 2006 Bonds in order to assist such purchasers in ascertaining the 90-Day Financial Commercial Paper rate. The Corporation does not adopt any information that may be provided at such address and disclaims any responsibility for any such information. The information at such address is not to be construed as part of this Official Statement.

"Payment Default" means failure by the Corporation to make payment of interest on, premium, if any, and principal of Series RAMS when due, by the Corporation.

"Potential Owner" means any person, including any Existing Holder, (i) who shall have executed a master purchaser's letter in the form required by the Broker-Dealer and (ii) who may be interested in acquiring 2006 Bonds bearing interest at an Auction Rate (or, in the case of an Existing Holder thereof, an additional principal amount of 2006 Bonds bearing interest at an Auction Rate).

"Quarterly Average Auction Rate" means the simple average of the Auction Rates for the 2006 Bonds for Auction Dates preceding the current Auction Date by 91 days or less, including the current Auction Date.

"Quarterly Average CP Rate" means the simple average of the Bond Equivalent Yield of 90-Day Financial Commercial Paper rates for the 91 days preceding (but not including) the current Auction Date.

"Quarterly Average T-Bill Rate" means the simple average of the Bond Equivalent Yield of 91-day Treasury bills auctioned in the 91 days preceding (but not including) the current Auction Date.

"RAMS" means Reset Auction Mode Securities or RAMS.™

"Rate Period" means any Auction Rate Period, Daily Rate Period, Flexible Rate Period, Monthly Rate Period, Term Rate Period or Weekly Rate Period.

"Record Date" means, with respect to Bonds outstanding as Series RAMS, the Business Day prior to each Interest Payment Date.

"Remarketing Agent" means RBC Capital Markets, or such other remarketing agent appointed by the Corporation pursuant to the Indenture.

"Securities Depository" means The Depository Trust Company and its successors and assigns, or if (i) the then Securities Depository resigns from its functions as depository of Series RAMS or (ii) the Corporation discontinues use of the Securities Depository, any other securities depository which agrees to follow the procedures required to be followed by a securities depository in connection with Series RAMS and which is selected by such Corporation with the consent of the Trustee, the Auction Agent and the Market Agent.

"Stated Maturity Date" means the stated maturity date of any Bonds.

"Submission Deadline" shall mean 1:00 p.m., New York City time, on any Auction Date or such other time on any Auction Date by which Broker-Dealers are required to submit Orders to the Auction Agent, as specified by the Auction Agent from time to time.

"Submission Processing Deadline" shall mean the earlier of (i) 40 minutes after the Submission Deadline or (ii) the time when the Auction Agent begins to disseminate the results of the Auctions to the Broker-Dealers.

"Submission Processing Representation" shall have the meaning set forth in this Appendix IV under the heading "Submission by Broker-Dealers to the Auction Agent."

"T-Bill Cap" means, for any Auction Date, the rate at which the Quarterly Average Auction Rate equals the Quarterly Average T-Bill Rate plus the Applicable Spread, such rate to be determined by the formula:

$$N \times (T + S) - R,$$

where N is the number of Auction Dates which precede the current Auction date by 91 days or less, including the current Auction Date; T is the Quarterly Average T-Bill Rate; S is the Applicable Spread; and R is the sum of the Auction Rates for Auction Dates preceding the current Auction Date by 91 days or less, excluding the current Auction.

"United States Treasury Security Rate" means that rate of interest per annum equal to the Bond Equivalent Yield on the applicable United States Treasury securities sold at the last auction thereof that immediately precedes the Determination Date to which the T-Bill Cap applies.

"Winning Bid Rate" shall have the meaning set forth below in subparagraph (c)(1)(C).

Interest

Interest Payments. Interest on Series RAMS shall accrue during each Interest Payment Period at the Auction Bond Interest Rate for each Auction Period that falls wholly or in part within such Interest Payment Period and shall be payable in arrears on each succeeding Interest Payment Date.

An *"Interest Payment Period"* means (i) so long as interest is payable on June 1 and December 1 with respect thereto and unless otherwise changed as described below under "Changes in Auction Periods or Auction Date — *Changes in Auction Period or Periods,*" the period commencing either on the date of issue of the Series RAMS or on the date of conversion of the Rate Period on the 2006 Bonds to an Auction Rate Period through and including the first June 1 or December 1 and each successive six-month period thereafter through and including the day preceding each June 1 or December 1, as applicable, and (ii) if, and for so long as, Interest Payment Dates are specified to occur at the end of each Auction Period, as described below under "Changes in Auction Periods or Auction Date — *Changes in Auction Period or Periods,*" the period commencing either on the date of issue of the Series RAMS or on the date of conversion of the Rate Period to an Auction Rate Period through and including the initial Auction Date set forth in the applicable Term Supplement and each successive 35-day period thereafter.

An *"Interest Payment Date"* means each June 1 and December 1 until maturity or earlier redemption, commencing on December 1, 2006 and, in all cases, at maturity or earlier redemption. Interest Payment Dates may change in the event of a change in the length of one or more Auction Periods or in certain other events. See "Changes in Auction Periods or Auction Date — *Changes in Auction Period or Periods*" below.

An *"Auction Period"* means the period commencing either on the date of issue of the RAMS or on the date of conversion of the Rate Period on the 2006 Bonds to an Auction Rate Period through and including the initial Auction Date and each successive 35-day period thereafter.

The amount of interest distributable to Holders of RAMS in respect of each \$100,000 in principal amount thereof for any Interest Payment Period or part thereof shall be calculated by the Trustee by (i) applying the Auction Bond Interest Rate for each Auction Period or part thereof in the Interest Payment Period to the principal amount of \$100,000, multiplying such product by the actual number of days in each such Auction Period or part thereof, divided by 360, and, if necessary, truncating the resultant figure to the nearest cent and (ii) adding together, if necessary, the amounts of interest so calculated for each Auction Period or part thereof in the applicable Interest Payment Period. Interest on RAMS shall be computed by the Trustee on the basis of a 360-day year for the number of days actually elapsed. In the event an Interest Payment Date occurs on a day other than the first day of an Auction Period, the Trustee, after confirming the calculation required above, shall calculate the portion of the interest amount payable for such Auction Period on such Interest Payment Date and the portion payable on the next succeeding Interest Payment Date. The Trustee shall make the calculation described in item (i) above not later than the close of business on each Auction Date.

Interest payments on RAMS are to be made by the Trustee to each Depository that is the registered owner of the RAMS, as of the Record Date preceding each Interest Payment Date. The RAMS are to be registered in the name of the Depository, including, but not limited to DTC, designated as such for the RAMS. See "Appendix VII — THE DEPOSITORY TRUST COMPANY" for a description of how DTC and other Depositories, as registered owners, are expected to disburse such payments to the beneficial owners.

Auction Bond Interest Rate. The rate per annum at which interest is payable on RAMS for any Auction Period is herein referred to as the *"Auction Bond Interest Rate."* Notwithstanding anything herein to the contrary, the Auction Bond Interest Rate cannot exceed the Maximum Auction Rate.

The respective rates of interest for Initial RAMS Auction Periods shall be the rates determined upon the initial sale thereof. Thereafter, the rate of interest on the RAMS for each subsequent Auction Period to, but not including, any Conversion Date shall be equal to the annual rate of interest that results from implementation of the Auction Procedures described in this Appendix IV (the "*Auction Rate*"), unless the Auction Rate exceeds the Maximum Auction Rate, in which case the rate of interest on RAMS for such Auction Period shall be the Maximum Auction Rate; *provided* that if, on any Auction Date, an Auction is not held for any reason, then the rate of interest for the next succeeding Auction Period shall be equal to the Maximum Auction Rate established on such Auction Date.

Notwithstanding the foregoing, (a) if the ownership of RAMS is no longer maintained in book-entry form, the rate of interest on RAMS for any Auction Period commencing after the delivery of certificates representing RAMS as described above shall equal the Maximum Auction Rate on the Business Day immediately preceding the first day of such Auction Period; or (b) if a Payment Default occurs, Auctions will be suspended and the Auction Bond Interest Rate for the Auction Period commencing on or after such Payment Default and for each Auction Period thereafter to and including the Auction Period, if any, during which, or commencing less than the Applicable Number of Business Days after, such Payment Default is cured will equal the Overdue Rate; or (c) if a proposed Conversion shall have failed, as described below under "Inadequate Funds for Tenders; Failed Conversion," and the next succeeding Auction Date shall be less than the Applicable Number of Business Days after (or on) any such failed Conversion Date, then an Auction shall not be held on such Auction Date and the rate of interest on RAMS subject to the failed conversion for the next succeeding Auction Period shall be equal to the Maximum Auction Rate calculated as of the first Business Day of such Auction Period.

Notwithstanding anything herein to the contrary, if any RAMS or portion thereof has been selected for redemption during the next succeeding Auction Period, such RAMS or portion thereof, will not be included in the Auction preceding such redemption date, and will continue to bear interest until the redemption date at the rate established for the Auction Period prior to said Auction.

Auction Participants

Existing Holders and Potential Holders. Participants in each Auction will include (i) "*Existing Holders*," which shall mean any Person who is listed as the owner of record of RAMS prior to a Conversion Date in the records of the Auction Agent (described below) at the close of business on the Business Day preceding each Auction; and (ii) "*Potential Holders*," which shall mean any Person, including any Existing Holder, who shall have executed (and not withdrawn or terminated) a Master Purchaser's Letter (in the form found in Appendix V) and who may be interested in acquiring RAMS (or, in the case of an Existing Holder, an additional principal amount of RAMS).

By purchasing RAMS, whether in an Auction or otherwise, each prospective purchaser of RAMS or its Broker-Dealer must agree and will be deemed to have agreed: (a) to participate in Auctions on the terms set forth in Appendix IV hereto, (b) so long as the beneficial ownership of RAMS is maintained in book-entry form by a Depository, to sell, transfer or otherwise dispose of RAMS only pursuant to a Bid or a Sell Order (each as defined in Appendix IV in an Auction, or to or through a Broker-Dealer or to a Person who has delivered a signed Master Purchaser's Letter to the Auction Agent; *provided* that in the case of all transfers other than those pursuant to an Auction, the Existing Holder of RAMS so transferred, its agent member or its Broker-Dealer advises the Auction Agent of such transfer, and (c) to have its beneficial ownership of RAMS maintained at all times in book-entry form by the designated Depository for the account of its Participant in such Depository, which in turn will maintain records of such beneficial ownership, and to authorize such Participant to disclose to the Auction Agent such information with respect to such beneficial ownership as the Auction Agent may request.

Auction Agent. The Wilmington Trust Company has been appointed as the initial Auction Agent for the RAMS. The Trustee is directed to enter into the initial Auction Agency Agreement with The Wilmington Trust Company. Any substitute Auction Agent shall be (a) a bank or trust company duly organized under the laws of the United States of America or any state or territory thereof having its principal place of business in the Borough of Manhattan, The City of New York, and having a combined capital stock, surplus and undivided profits of at least \$15,000,000 or (b) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$15,000,000 and, in either case, authorized by law to perform all the duties imposed upon it under the Indenture and under the Auction Agency Agreement. The Auction Agent may resign and be discharged of the duties and obligations created by the Indenture by giving at least 90 days' written notice to the Corporation, the Trustee and the Market Agent (25 days' written notice if

the Auction Agent has not been paid its fee after notice of such fact to the Corporation and the Trustee). The Auction Agent may be removed at any time by the Trustee if the Auction Agent is an entity other than the Trustee, acting at the direction of either (i) the Corporation or (ii) the Owners of 66-2/3% of the aggregate principal amount of the RAMS by an instrument signed by the Trustee and filed with the Auction Agent, the Corporation and the Market Agent upon at least 30 days' notice; *provided that*, if required by the Market Agent, an agreement in substantially the form of the Auction Agency Agreement shall be entered into with a successor Auction Agent. If the Auction Agent and the Trustee are the same entity, the Auction Agent may be removed as described above, with the Corporation acting in lieu of the Trustee.

If the Auction Agent shall resign or be removed or dissolved, or if the property or affairs of the Auction Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, the Corporation shall use its best efforts to appoint a successor as Auction Agent, and the Trustee shall thereupon enter into an Auction Agency Agreement with such successor.

The Auction Agent is acting as agent for the Trustee and the Corporation in connection with Auctions. In the absence of bad faith or negligence on its part, the Auction Agent shall not be liable for any action taken, suffered or omitted or for any error of judgment made by it in the performance of its duties under the Auction Agency Agreement and shall not be liable for any error of judgment made in good faith unless the Auction Agent shall have been negligent in ascertaining (or failing to ascertain) the pertinent facts.

Broker-Dealer. Existing Holders and Potential Holders may participate in Auctions only by submitting orders (in the manner described below) through a "Broker-Dealer," including RBC Capital Markets as the sole initial Broker-Dealer, or any other broker or dealer (each as defined in the Securities Exchange Act of 1934, as amended), commercial bank or other entity permitted by law to perform the functions required of a Broker-Dealer set forth below which (a) is a "Participant" (*i.e.*, a member of, or participant in, the Securities Depository) or an affiliate of a Participant, (b) has a capital surplus of at least \$15,000,000, (c) has been selected by the Corporation with the approval of the Market Agent, and (d) has entered into a Broker-Dealer Agreement with the Auction Agent that remains effective, in which the Broker-Dealer agrees to participate in Auctions as described in the Auction Procedures, as from time to time amended or supplemented.

A Broker-Dealer may submit orders in auctions for its own account. Any Broker-Dealer submitting an order for its own account in any auction will have an advantage over other bidders in that it would have knowledge of other orders placed through it in that auction (but it would not have knowledge of orders placed through other Broker-Dealers, if any). As a result of the Broker-Dealer bidding, the auction clearing rate may be higher or lower than the rate that would have cleared if the Broker-Dealer had not bid. A Broker-Dealer may also bid in order to prevent what would otherwise be (i) a failed auction; or (ii) an auction clearing at a rate that the Broker-Dealer deems in its discretion, to be too high given prevailing market conditions. A Broker-Dealer may also encourage additional or revised investor bidding in order to prevent an "all-hold" auction or an auction clearing at a rate which the Broker-Dealer deems, in its discretion, to be too low given prevailing market conditions.

Market Agent. The "Market Agent," initially RBC Capital Markets, is responsible under the terms of the Market Agent Agreement for the following duties under the Indenture: (i) assist the Trustee in the determination of the Maximum Auction Rate on the Business Day before each Interest Payment Date after the delivery of physical certificates representing the 2006 Bonds, (ii) assist the Trustee in calculating the Overdue Rate on the Determination Date for (A) each Auction Period commencing after the occurrence and during the continuance of a Payment Default and (B) any Auction Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default, (iii) determine the Quarterly Average CP Rate and the Quarterly Average T-Bill Rate for purposes of determining the CP Cap and the T-Bill Cap, respectively, as a component of the Maximum Auction Rate, (iv) determine changes to be made in the percentages used in determining the Maximum Auction Rate, the All-Hold Rate and the Overdue Rate as described under "Adjustment in Percentages for RAMS" below, and (v) make changes to the Auction Periods or Auction Dates as described below under the caption "Changes in Auction Periods or Auction Date." Under the Market Agent Agreement, and in connection with RAMS, the Market Agent shall act solely as agent of the Trustee and shall not assume any obligation or relationship of agency or trust for or with any of the beneficial owners.

Auctions

Auctions to establish the Auction Bond Interest Rate are to be held on each Auction Date, except as described above under "Interest — *Auction Bond Interest Rate*," by application of the Auction Procedures described in Appendix IV. "*Auction Date*" shall mean initially for RAMS, the date set forth in the applicable Term Supplement and thereafter, the Business Day immediately preceding the first day of each Auction Period, other than: (a) each Auction Period commencing after the ownership of RAMS is no longer maintained in book-entry form; (b) each Auction Period commencing after the occurrence and during the continuance of a Payment Default; or (c) any Auction Period commencing less than the Applicable Number of Business Days after the cure or waiver of a Payment Default. Notwithstanding the foregoing, the Auction Date for one or more Auction Periods may be changed as described below under "Changes in Auction Periods or Auction Date—*Changes in Auction Period or Periods*."

The Auction Agent shall determine the Maximum Auction Rate and the All-Hold Rate on each Auction Date. Upon receipt of notice from the Trustee of a failed Conversion Date as described below under "Inadequate Funds for Tenders; Failed Conversion," and if the next succeeding Auction Date shall be two or fewer Business Days after (or on) the failed Conversion Date, the Auction Agent shall not hold an Auction on such Auction Date but shall calculate the Maximum Auction Rate as of the first Business Day of the next succeeding Auction Period and give notice thereof as provided and to the parties specified in the Auction Agency Agreement. If the ownership of RAMS is no longer maintained in book-entry form, the Trustee shall, with the assistance of the Market Agent, calculate the Maximum Auction Rate on the Business Day immediately preceding the first day of each Auction Period commencing after delivery of certificates representing RAMS. If a Payment Default shall have occurred, the Trustee shall, with the assistance of the Market Agent, calculate the Overdue Rate on the first day of (a) each Auction Period commencing after the occurrence and during the continuance of such Payment Default and (b) any Auction Period commencing less than the Applicable Number of Business Days after the cure of any Payment Default. The determination by the Trustee or the Auction Agent, as the case may be, of the Maximum Auction Rate shall (in the absence of manifest error) be final and binding upon the owners and all other parties. If calculated or determined by the Auction Agent, the Auction Agent shall promptly advise the Trustee of the Maximum Auction Rate.

So long as ownership of RAMS is maintained in book-entry form, an Existing Holder may sell, transfer or otherwise dispose of RAMS only pursuant to a Bid or Sell Order (as defined below under "Auctions Generally") placed in an Auction or through a Broker-Dealer, *provided* that, in the case of all transfers other than pursuant to Auctions, such Existing Holder, its Broker-Dealer or its Participant advises the Auction Agent of such transfer. Prior to a Conversion Date, Auctions shall be conducted on each Auction Date, if there is an Auction Agent on such Auction Date, in the manner described in this Appendix IV. A description of the Settlement Procedures to be used with respect to Auctions for RAMS is contained in Appendix V.

Adjustment in Percentages for RAMS

The Market Agent shall adjust the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Auction Rate and the Applicable Percentage of the Kenny Index used in determining the Overdue Rate, if any such adjustment is necessary, in the judgment of the Market Agent, to reflect any Change of Preference Law such that RAMS paying the Maximum Auction Rate, RAMS paying the All-Hold Rate and RAMS paying the Overdue Rate shall have equal market values before and after such Change of Preference Law. Prior to any such adjustment, the Corporation shall give notice thereof to the Rating Agency, and no such adjustment shall be made unless such adjustment will not adversely affect the Rating on any of the 2006 Bonds. In making any such adjustment, the Market Agent shall take the following factors, as in existence both before and after such Change of Preference Law, into account: (i) short-term taxable and tax-exempt market rates and indices of such short-term rates; (ii) the market supply and demand for short-term tax-exempt securities; (iii) yield curves for short-term and long-term tax-exempt securities or obligations having a credit rating that is comparable to the RAMS; (iv) general economic conditions; and (v) economic and financial factors present in the securities industry that may affect or that may be relevant to the RAMS.

The Market Agent shall effectuate an adjustment in the percentage used in determining the All-Hold Rate, the Applicable Percentage used in determining the Maximum Auction Rate and the Applicable Percentage of the Kenny Index used to determine the Overdue Rate by delivering written notice to the Corporation, the Trustee and the Auction Agent at least 10 days prior to the Auction Date on which the Market Agent desires to effect such change.

Changes in Auction Periods or Auction Date

Changes in Auction Period or Periods. While any of the 2006 Bonds are outstanding as RAMS, the Corporation may change, upon meeting certain conditions, the length of one or more Auction Periods. In connection with any such change or otherwise, but for the same stated purpose, the Market Agent may change Interest Payment Dates; any such change shall be considered a "change in the length of one or more Auction Periods" for purposes of the Indenture. Any change in the length of the Auction Period requires the consent of the Corporation and must be made for the purpose of conforming to current market practice with respect to certain securities. Any such changed Auction Period shall not be less than 7 days nor more than 366 days.

The change in the length of one or more Auction Periods shall not be allowed unless Sufficient Clearing Bids (as defined in this Appendix IV) existed at both the Auction before the date on which the notice of the proposed change was given and the Auction immediately preceding the proposed change. Such change shall take effect only if certain requirements are met as described in the Indenture.

Changes in the Auction Date. While any of the 2006 Bonds are outstanding as RAMS, the Market Agent:

- (a) in order to conform with then-current market practice with respect to similar securities, shall; and
- (b) in order to accommodate economic and financial factors that may affect or be relevant to the day of the week constituting an Auction Date and the interest rate borne on the RAMS and with the written consent of an Authorized Officer of the Corporation, may specify an earlier Auction Date (but in no event more than five Business Days earlier) than the Auction Date that would otherwise be determined in accordance with the definition of "*Auction Date*" with respect to one or more specified future Auction Periods. The Market Agent shall provide notice of any determination to specify an earlier Auction Date for one or more Auction Periods by means of a written notice delivered at least 10 days prior to the proposed changed Auction Date to the Trustee, the Auction Agent, the Corporation and DTC.

In connection with any change in the Auction terms described above, the Auction Agent shall provide such further notice to such parties as is specified in the Auction Agency Agreement.

Conversion of Bonds

The Corporation may, upon 30 days' written notice, on the first day of any Auction Period convert all or a portion of the 2006 Bonds outstanding as RAMS to bear interest at an Adjustable Rate other than the Auction Rate or at a Fixed Rate. From and after the effective Conversion Date, Bonds subject to Conversion (the "*Converted Bonds*") will no longer be outstanding as RAMS and will be subject to mandatory tender for purchase at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Conversion Date.

In accordance with the provisions of the Indenture, the Corporation must deliver to the Trustee a Supplemental Indenture to provide for such prospective terms for the Converted Bonds, or the manner of determining the same, as the Corporation may deem advisable, provided that, among other things, (1) the then existing holders of Converted Bonds shall be given written notice that the effective date of any such provisions shall be a mandatory tender date; and (2) any failure to tender is nevertheless deemed to be a tender for mandatory purchase and the Converted Bonds which are not tendered shall be deemed "Undelivered Bonds."

Mandatory Tender Upon Conversion

Converted Bonds shall be subject to mandatory tender for purchase on the effective date of any Conversion at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the date of purchase. The Trustee is required to give notice of such mandatory tender to the Holders of such Converted Bonds subject to purchase at their addresses shown on the books of registry. Such notice shall be sent by first class mail to the Holders.

Converted Bonds to be purchased on any Conversion Date shall be required to be delivered to the designated office of the Trustee, or its designated agent for such purposes, at or before 12:00 noon on such date. If the Holder of any Converted Bond which is subject to purchase as described herein fails to deliver such Converted Bond to the Trustee, or its designated agent for such purposes, for purchase on the purchase date, and if the Trustee, or its designated agent

for such purposes, is in receipt of the purchase price therefor, such Converted Bond shall nevertheless be deemed tendered and purchased on the Conversion Date and shall be an Undelivered Bond as described below under the caption "Undelivered Bonds," and registration of the ownership of such Converted Bond shall be transferred to the purchaser thereof as described under the caption "Undelivered Bonds."

Undelivered Bonds

Any Converted Bonds which are required to be tendered on a Conversion Date and which are not delivered on the Conversion Date, and for the payment of which there has been irrevocably held in trust in a segregated subaccount for the benefit of such owner an amount of money sufficient to pay the purchase price and any accrued interest owing on the purchase date with respect to such Converted Bonds, shall be deemed to have been purchased, and shall be Undelivered Bonds. In the event of a failure by an owner of Converted Bonds to tender such Converted Bonds on or prior to the required date, such owner of such Undelivered Bonds shall not be entitled to any payment other than the purchase price and any unpaid interest due on the purchase date, and Undelivered Bonds in the hands of such non-delivering 2006 Bond owner shall no longer accrue interest or be entitled to the benefits of the Indenture, except for the payment of the purchase price and any unpaid interest due on the purchase date; provided, however, that the indebtedness represented by such Converted Bonds shall not be extinguished, and the Trustee shall transfer, authenticate and deliver such Converted Bonds as provided in the Indenture.

The Trustee shall, as to any Undelivered Bonds, (i) promptly notify the Remarketing Agent of such non-delivery and (ii) place a stop transfer against an appropriate amount of Converted Bonds registered in the name of the owner(s) on the Bond register. The Trustee shall place such stop transfer(s) commencing with the lowest serial number 2006 Bond registered in the name of such owner(s) (until stop transfers have been placed against an appropriate amount of Converted Bonds) until the appropriate tendered Converted Bonds are delivered to the Trustee, or its designated agent. Upon such delivery, the Trustee shall make any necessary adjustments to the 2006 Bond register. Pending delivery of such Undelivered Bonds, the Trustee, or its designated agent, shall hold the purchase price therefor uninvested in a segregated subaccount for the benefit of such owners.

Inadequate Funds for Tenders; Failed Conversion

If the funds available for purchase of Converted Bonds are inadequate for the purchase of all 2006 Bonds tendered on any Conversion Date, or if a proposed conversion of 2006 Bonds otherwise fails as a result of a failure to meet the conditions specified in the Indenture, the Trustee shall: (a) return all tendered 2006 Bonds to the Holders thereof, (b) return all moneys received for the purchase of such 2006 Bonds to the persons providing such money; and (c) notify the Corporation, the Auction Agent, the Remarketing Agent and the Paying Agent of the return of such 2006 Bonds and money and the failure to make payment for tendered 2006 Bonds. After any such failed conversion the 2006 Bonds subject to the failed conversion shall either (i) remain outstanding as RAMS or (ii) automatically adjust to a Daily Rate Period on the date originally scheduled for such adjustment or continuation. If a Daily Rate for the first day of such daily Rate Period is not determined as determined by the Remarketing Agent, the Daily Rate for the first day of such Daily Rate Period shall be equal to the TBMA Municipal Index for Tax-Exempt Bonds. In the case of a failed conversion of RAMS, Auctions shall be conducted beginning on the first Auction Date occurring more than two Business days after the failed Conversion Date and interest thereon shall be determined and paid according to the Indenture.

Auction Generally

Auctions shall be conducted on each Auction Date (other than the Auction Date immediately preceding (i) each Auction Period commencing after the ownership of RAMS is no longer maintained in book-entry form; (ii) each Auction Period commencing after the occurrence and during the continuance of a Payment Default; or (iii) any Auction Period commencing less than two business days after the cure of a Payment Default). If there is an Auction Agent on such Auction Date, Auctions shall be conducted in the following manner.

(a) *Orders By Existing Holders and Potential Holders.*

(i) Prior to the Submission Deadline on each Auction Date:

(A) each Existing Holder of RAMS may submit to a Broker-Dealer information as to: (1) the principal amount of Outstanding RAMS, if any, held by such Existing Holder which such Existing Holder desires to continue to hold without regard to the Auction Rate for the next succeeding Auction Period; (2) the principal amount of Outstanding RAMS, if any, which such Existing Holder offers to sell if the Auction Rate for the next succeeding Auction Period shall be less than the rate per annum specified by such Existing Holder; and/or (3) the principal amount of Outstanding RAMS, if any, held by such Existing Holder which such Existing Holder offers to sell without regard to the Auction Rate for the next succeeding Auction Period; and

(B) one or more Broker-Dealers may contact Potential Holders to determine the principal amount of RAMS which each such Potential Holder offers to purchase if the Auction Rate for the next succeeding Auction Period shall not be less than the rate per annum specified by the such Potential Holder.

The communication of an Existing Holder or a Potential Holder to a Broker-Dealer of information referred to in clause (A)(1), (A)(2), (A)(3) or (B) of this subsection (a)(i) is hereinafter referred to as an "Order" and collectively as "Orders." Each Existing Holder and each Potential Holder placing an Order is hereinafter referred to as a "Bidder" and collectively as "Bidders." An Order containing the information referred to in clause (A)(1) of this subsection (a)(i) is hereinafter referred to as a "Hold Order" and collectively as "Hold Orders." An Order containing the information referred to in clause (A)(2) or (B) of this subsection (a)(i) is hereinafter referred to as a "Bid" and collectively as "Bids." An order containing the information referred to in clause (A)(3) of this subsection (a)(i) is hereinafter referred to as a "Sell Order" and collectively as "Sell Orders."

(ii) (A) Subject to the provisions of subsection (b) below, a Bid by an Existing Holder shall constitute an irrevocable offer to sell: (1) the principal amount of Outstanding RAMS specified in such Bid if the Auction Rate determined shall be less than the rate specified in such Bid; or (2) such principal amount or a lesser principal amount of Outstanding RAMS to be determined as set forth in clause (D) of paragraph (i) of subsection (d) below, if the Auction Rate determined shall be equal to the rate specified in such Bid; or (3) such principal amount or a lesser principal amount of Outstanding RAMS to be determined as set forth in clause (C) of paragraph (ii) of subsection (d) below if the rate specified shall be higher than the Auction Rate and Sufficient Clearing Bids have not been made.

(B) Subject to the provisions of subsection (b) below, a Sell Order by an Existing Holder shall constitute an irrevocable offer to sell: (1) the principal amount of Outstanding RAMS specified in such Sell Order; or (2) such principal amount or a lesser principal amount of Outstanding RAMS as set forth in clause (C) of paragraph (ii) of subsection (d) below if Sufficient Clearing Bids have not been made.

(C) Subject to the provisions of the subsection (b) below, a Bid by a Potential Holder shall constitute an irrevocable offer to purchase: (1) the principal amount of Outstanding RAMS specified in such Bid if the Auction Rate determined shall be higher than the rate specified in such Bid; or (2) such principal amount or a lesser principal amount of Outstanding RAMS as set forth in clause (E) of paragraph (i) of subsection (d) below if the Auction Rate determined shall be equal to the rate specified in such Bid.

(b) *Submission by Broker-Dealers to the Auction Agent.*

(i) Each Broker-Dealer shall submit in writing to the Auction Agent prior to the Submission Deadline on each Auction Date all Orders obtained by such Broker-Dealer and shall specify with respect to each such Order:

(A) the name of the Bidder placing such Order,

(B) the aggregate principal amount of RAMS that are the subject of such Order,

(C) to the extent that such Bidder is an Existing Holder: (1) the principal amount of RAMS, if any, subject to any Hold Order placed by such Existing Holder; (2) the principal amount of RAMS, if any, subject to any Bid placed by such Existing Holder and the rate specified in such Bid; and (3) the principal amount of RAMS, if any, subject to any Sell Order placed by such Existing Holder; and

(D) to the extent such Bidder is a Potential Holder, the rate and amount specified in such Potential Holder's Bid.

(ii) If any rate specified in any Bid contains more than three figures to the right of the decimal point, the Auction Agent shall round such rate up to the next higher one-thousandth of 1% (.001).

(iii) If an Order or Orders covering all Outstanding RAMS held by an Existing Holder is not submitted to the Auction Agent prior to the Submission Processing Deadline, the Auction Agent shall deem a Hold Order to have been submitted on behalf of such Existing Holder covering the principal amount of Outstanding RAMS held by such Existing Holder and not subject to an Order submitted to the Auction Agent.

(iv) A Broker-Dealer may submit Orders in Auctions for its own account. Any Broker-Dealer submitting an Order for its own account in any Auction will have an advantage over other Bidders in that it will have knowledge of other Orders placed through it in that Auction (but it will not have knowledge of Orders submitted through other Broker-Dealers, if any). As a result of the Broker-Dealer bidding, the auction clearing rate may be lower than the rate that would have prevailed if the Broker-Dealer had not Bid. A Broker-Dealer may also Bid or encourage additional or revised bidding in order to prevent what would otherwise be a failed auction, an "all hold" Auction or an auction clearing at a rate that the Broker-Dealer believes does not reflect the market rate for such Auction Rate Bonds at the time of the Auction.

(v) The Corporation, the Trustee or the Auction Agent shall not be responsible for any failure of a Broker-Dealer to submit an Order to the Auction Agent on behalf of any Existing Holder or Potential Holder.

(vi) If any Existing Holder submits through a Broker-Dealer to the Auction Agent one or more Orders covering in the aggregate more than the principal amount of Outstanding RAMS held by such Existing Holder, such Order shall be considered valid as follows and in the following order of priority:

(A) all Hold Orders shall be considered valid, but only up to and including the aggregate principal amount of RAMS held by such Existing Holder, and if the aggregate principal amount of RAMS subject to such Holder Order exceeds the aggregate principal amount of RAMS held by such Existing Holder, the aggregate principal amount of RAMS subject to each such Holder Order shall be reduced pro rata to cover the aggregate principal amount of Outstanding RAMS held by such Existing Holder.

(B) (1) any Bid shall be considered valid up to and including the excess of the principal amount of Outstanding RAMS held by such Existing Holder over the aggregate principal amount of RAMS subject to any Holder Orders referred to in clause (A) of this paragraph (v); (2) subject to subclause (1) of this clause (B), if more than one Bid with the same rate is submitted on behalf of such Existing Holder, and the aggregate principal amount of Outstanding RAMS subject to such Bids is greater than such excess, such Bids shall be considered valid up to and including the amount of such excess, and the stated amount of RAMS subject to each Bid with the same rate shall be reduced pro rata to cover the stated amount of RAMS equal to such excess; (3) subject to subclauses (1) and (2) of this clause (B), if more than one Bid with different rates is submitted on behalf of such Existing Holder, such Bids shall be considered valid first in the ascending order of their respective rates until the highest rate is reached at which such excess exists and then at such rate up to and including the amount of such excess; and (4) in any such event, the aggregate principal amount of Outstanding RAMS, if any, subject to Bids not valid under this clause (B) shall be treated as the subject of a Bid by a Potential Holder at the rate therein specified; and

(C) all Sell Orders shall be considered valid up to and including the excess of the principal amount of Outstanding RAMS held by such Existing Holder over the aggregate principal amount of RAMS subject to valid Hold Orders referred to in clause (A) of this paragraph (v) and valid Bids referred to in clause (B) of this paragraph (v).

(vii) If more than one Bid for RAMS is submitted on behalf of any Potential Holder, each Bid submitted shall be a separate Bid with the rate and principal amount therein specified.

(viii) An Existing Holder that offers to purchase additional RAMS is, for purposes of such offer, treated as a Potential Holder.

(ix) Any Bid or Sell Order submitted by an Existing Holder covering an aggregate principal amount of RAMS not equal to \$100,000 or any multiple thereof shall be rejected and shall be deemed a Hold Order. Any Bid submitted by a Potential Holder covering an aggregate principal amount of RAMS not equal to \$100,000 or any multiple thereof shall be rejected.

(x) Any Bid specifying a rate higher than the Maximum Auction Rate will (A) be treated as a Sell Order if submitted by an Existing Holder and (B) not be accepted if submitted by a Potential Holder.

(xi) Any Bid submitted by an Existing Holder or a Potential Holder specifying a rate lower than the All-Hold Rate shall be treated as a bid specifying the All-Hold Rate and any such bid shall be considered as valid and shall be selected in the ascending order of their respective rates in the submitted Bids.

(xii) Any Order submitted in an Auction by a Broker-Dealer to the Auction Agent before the Submission Deadline on any Auction Date shall be irrevocable.

(xiii) Notwithstanding the foregoing, Broker-Dealers may submit an Order after the Submission Deadline and prior to the Submission Processing Deadline if the Order was (a) received by the Broker-Dealer from Existing Owners or Potential Owners prior to the Submission Deadline or (b) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline. Each Order submitted to the Auction Agent after the Submission Deadline and prior to the Submission Processing Deadline shall constitute a representation by the Broker-Dealer that such Order was (i) received from an Existing Owner or Potential Owner prior to the Submission Deadline or (ii) initiated internally by the Broker-Dealer for its own account prior to the Submission Deadline (the "Submission Processing Representation").

(c) *Determination of Sufficient Clearing Bids, Auction Rate and Winning Bid Rate.*

(i) Not earlier than the Submission Deadline on each Auction Date, the Auction Agent shall assemble all valid Orders submitted or deemed submitted to it by the Broker-Dealers, subject to a Submission Processing Representation (each such Order as submitted or deemed submitted by a Broker-Dealer being hereinafter referred to individually as a "Submitted Hold Order," a "Submitted Bid" or "Submitted Sell Order," as the case may be, or as a "Submitted Order" and a collectively as "Submitted Hold Orders," "Submitted Bids" or "Submitted Sell Orders," as the case may be, or as "Submitted Orders") and shall determine:

(A) the excess of the total principal amount of Outstanding RAMS over the sum of the aggregate principal amount of Outstanding RAMS subject to Submitted Hold Orders (such excess being hereinafter referred to as the "Available RAMS"); and

(B) from such Submitted Orders whether (1) the aggregate principal amount of Outstanding RAMS subject to Submitted Bids by Potential Holders specifying one or more rates equal to or lower than the Maximum Rate; exceeds or is equal to the sum of: (2) the aggregate principal amount of Outstanding RAMS subject to the Submitted Bids by Existing Holders specifying one or more rates higher than the Maximum Auction Rate; and (3) the aggregate principal amount of Outstanding RAMS subject to Submitted Sell Orders; (in the event such excess or such equality exists, other than because all of the Outstanding RAMS are subject to Submitted Hold Orders, such Submitted Bids in subclause (1) above being hereinafter referred to collectively as "Sufficient Clearing Bids"); and

(C) if Sufficient Clearing Bids have been made, the lowest rate specified in such Submitted Bids (which shall be the "Winning Bid Rate") such that if: (1)(aa) each such Submitted

Bid from Existing Holders specifying such lowest rate and (bb) all other Submitted Bids from Existing Holders specifying lower rates, were rejected, thus entitling such Existing Holders to continue to hold the principal amount of RAMS subject to such Submitted Bids; and (2)(aa) each such Submitted Bid from Potential Holders specifying such lowest rate and (bb) all other Submitted Bids from Potential Holders specifying lower rates were accepted, the result would be that such Existing Holders described in subclause (1) above would continue to hold an aggregate principal amount of Outstanding RAMS which, when added to the aggregate principal amount of Outstanding RAMS to be purchased by such Potential Holders described in subclause (2) above, would equal not less than the Available RAMS.

(ii) Promptly after the Auction Agent had made the determinations pursuant to paragraph (i) of this subsection (c), the Auction Agent shall advise the Trustee of the Maximum Auction Rate, the Interest Rate Limitation and the All-Hold Rate and the components thereof on the Auction Date and, based on such determinations, the Auction Rate for the next succeeding Auction Period (the "Auction Rate") as follows:

(A) if Sufficient Clearing Bids have been made, that the Auction Rate for the next succeeding Auction Period shall be equal to the Winning Bid Rate so determined;

(B) if Sufficient Clearing Bids have not been made (other than because of all the Outstanding RAMS are subject to Submitted Hold Orders), that the Auction Rate for the next succeeding Auction Period shall be equal to the Maximum Auction Rate; or

(C) if all Outstanding RAMS are subject to Submitted Hold Orders, that the Auction Rate for the next succeeding Auction Period shall be equal to the All-Hold Rate.

(iii) Promptly after the Auction Agent has determined the Auction Rate, the Auction Agent shall determine and advise the Trustee of the Bond Interest Rate, which rate shall be the Auction Rate; provided, however, that in no event shall the Bond Interest Rate exceed the Maximum Auction Rate, subject to the Interest Rate Limitation.

(d) *Acceptance and Rejection of Submitted Bids and Submitted Sell Orders and Allocation of RAMS.* Existing Holders shall continue to hold the principal amount of RAMS that are subject to Submitted Holder Orders. If the Maximum Auction Rate is equal to or greater than the Winning Bid Rate and if Sufficient Clearing Bids have been received by the Auction Agent, the Auction Bond Interest Rate will be the Winning Bid Rate, and Submitted Bids and Submitted Sell Orders will be accepted or rejected and the Auction Agent will take such other action as described below in paragraph (i). If the Maximum Auction Rate is less than the Auction Rate, the Auction Bond Interest Rate will be the Maximum Auction Rate. If the Auction Rate and the Maximum Auction Rate are both greater than the Interest Rate Limitation, the Auction Bond Interest Rate shall be equal to the Interest Rate Limitation. If the Auction Agent has not received Sufficient Clearing Bids (other than because all of the Outstanding Bonds are subject to Submitted Hold Orders), the Auction Bond Interest Rate will be the Maximum Auction Rate. In any of the cases described above, Submitted Bids and Submitted Sell Orders shall be accepted or rejected and the Auction Agent shall take such other action as set forth below in paragraph (ii):

(i) If Sufficient Clearing Bids have been made, all Submitted Sell Orders shall be accepted and, subject to the provisions of paragraphs (iv) and (v) of this subsection (d), Submitted Bids shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is higher than the Winning Bid Rate shall be accepted, thus requiring each such Existing Holder to sell the aggregate principal amount of RAMS subject to such Submitted Bids;

(B) Existing Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be rejected, thus entitling each such Existing Holder to continue to hold the aggregate principal amount of RAMS subject to such Submitted Bids;

(C) Potential Holders' Submitted Bids specifying any rate that is lower than the Winning Bid Rate shall be accepted, thus requiring such Potential Holder to purchase the aggregate principal amount of RAMS subject to such Submitted Bids;

(D) each Existing Holders' Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be rejected, thus entitling such Existing Holder to continue to hold the aggregate principal amount of RAMS subject to such Submitted Bid, unless the aggregate principal amount of Outstanding RAMS subject to all such Submitted Bids shall be greater than the principal amount of RAMS (the "remaining principal amount") equal to the excess of the Available RAMS over the aggregate principal amount of RAMS subject to Submitted Bids described in clauses (B) and (C) of this paragraph (i), in which event such Submitted Bid of such Existing Holder shall be rejected in part, and such Existing Holder shall be entitled to continue to hold the principal amount of RAMS subject to such Submitted Bid, but only in an amount equal to the aggregate principal amount of RAMS obtained by multiplying the remaining principal amount by a fraction the numerator of which shall be the principal amount of Outstanding RAMS held by such Existing Holder subject to such Submitted Bid and the denominator of which shall be the sum of the principal amount of Outstanding RAMS subject to such Submitted Bids made by all such Existing Holders that specified a rate equal to the Winning Bid Rate; and

(E) each Potential Holder's Submitted Bid specifying a rate that is equal to the Winning Bid Rate shall be accepted but only in an amount equal to the principal amount of RAMS obtained by multiplying the excess of the aggregate principal amount of Available RAMS over the aggregate principal amount of RAMS subject to Submitted Bids described in clauses (B), (C) and (D) of this paragraph (i) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding RAMS subject to such Submitted Bid and the denominator of which shall be the sum of the principal amounts of Outstanding RAMS subject to Submitted Bids made by all such Potential Holders that specified a rate equal to the Winning Bid Rate.

(ii) If Sufficient Clearing Bids have not been made (other than because all of the Outstanding RAMS are subject to Submitted Hold Orders), or if the Maximum Auction Rate is less than the Winning Bid Rate (in which case the Auction Bond Interest Rate shall be Maximum Auction Rate), or if the Interest Rate Limitation applies, subject to the provisions of paragraphs (iv) and (v) of this subsection (d), Submitted Orders shall be accepted or rejected as follows in the following order of priority and all other Submitted Bids shall be rejected:

(A) Existing Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be rejected, thus entitling such Existing Holders to continue to hold the aggregate principal amount of RAMS subject to such Submitted Bids;

(B) Potential Holders' Submitted Bids specifying any rate that is equal to or lower than the Maximum Auction Rate shall be accepted, thus requiring each Potential Holder to purchase the aggregate principal amount of RAMS subject to such Submitted Bids; and

(C) Each Existing Holder's Submitted Bid specifying any rate that is higher than the Maximum Auction Rate and the Submitted Sell Order of each Existing Holder shall be accepted, thus entitling each Existing Holder that submitted any such Submitted Bid or Submitted Sell Order to sell the RAMS subject to such Submitted Bid or Submitted Sell Order, but in both cases only in an amount equal to the aggregate principal amount of RAMS obtained by multiplying the aggregate principal amount of RAMS subject to Submitted Bids described in clause (B) of this paragraph (ii) by a fraction the numerator of which shall be the aggregate principal amount of Outstanding RAMS held by such Existing Holder subject to such Submitted Bid or Submitted Sell Order and the denominator of which shall be the aggregate principal amount of Outstanding RAMS subject to all such Submitted Bids and Submitted Sell Orders.

(iii) If all Outstanding RAMS are subject to Submitted Hold Orders, all Submitted Bids shall be rejected.

(iv) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Existing Holder would be entitled or required to sell, or any Potential Holder would be entitled or required to purchase, a principal amount of RAMS that is not equal to \$100,000 or any multiple thereof, the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, round up or down the principal amount of RAMS to be purchased or sold by any Existing Holder or Potential Holder so that the principal amount of RAMS purchased or sold by each Existing Holder or Potential Holder shall be equal to \$100,000 or any multiple thereof.

(v) If, as a result of the procedures described in paragraph (i) or (ii) of this subsection (d), any Potential Holder would be entitled or required to purchase, a principal amount of RAMS that is less than \$100,000 or any multiple thereof, the Auction Agent shall, in such manner as it shall, in its sole discretion, determine, allocate the principal amount of RAMS for purchase among Potential Holders so that the principal amount of RAMS purchased by each Potential Holder shall be equal to \$100,000 or any multiple thereof, even if such allocation results in one or more of such Potential Holders not purchasing any RAMS.

(e) Based on the results of each Auction, the Auction Agent shall determine the aggregate principal amount of RAMS to be purchased and the aggregate principal amount of RAMS to be sold by Potential Holders and Existing Holders on whose behalf each Broker-Dealer submitted Bids or Sell Orders and, with respect to each Broker-Dealer, to the extent that such aggregate principal amount of RAMS to be sold differs from such aggregate principal amount of RAMS to be purchased, determine to which other Broker-Dealer or Broker-Dealers acting for one or more purchasers such Broker-Dealer shall deliver, or from which other Broker-Dealer or Broker-Dealers acting for one or more sellers such Broker-Dealer shall receive, as the case may be, RAMS.

(f) Any calculation by the Auction Agent or the Trustee, as applicable, of the Auction Bond Interest Rate, Maximum Auction Rate, All-Hold Rate and Overdue Rate shall, in the absence of manifest error, be binding on all other parties.

(g) Notwithstanding anything herein to the contrary, no Auction will be held on any Auction Date on which there are insufficient moneys in the Revenue Account to pay, or otherwise held by the Trustee under the Indenture and available to pay, the principal of and interest due on the RAMS on the Interest Payment Date immediately following such Auction Date.

(h) Notwithstanding anything to the contrary, if any RAMS or portion thereof have been selected for redemption during the next succeeding Auction Period, such RAMS or portion thereof will not be included in the Auction preceding such redemption date, and will continue to bear interest until the redemption date at the rate established for the Auction Period prior to said Auction.

Disruption in Auction Procedures

Notwithstanding any provision in the Indenture to the contrary, (i) if as of the commencement of an Auction Period, an Auction is scheduled to occur for such Auction Period on a Business Day (a "Scheduled Auction Date"), but such Auction does not occur because it was not foreseeable that the Scheduled Auction Date would not be a Business Day, or (ii) if the Scheduled Auction Date was a Business Day but, as a result of an event generally affecting the securities markets in the United States, auctions for securities such as the Bonds were generally not conducted during such Business Day and in fact an Auction for the Bonds was not conducted on such Business Date, the following shall apply:

(a) An Auction shall be deemed to have occurred on the Scheduled Auction Date as if such day were a Business Day;

(b) The Auction Rate for such deemed Auction to be in effect for the succeeding Auction Period (i) shall be equal to the Auction Rate for the preceding Auction Period if such preceding Auction Period was 35 days or less; and (ii) otherwise shall be the rate of interest determined by the Market Agent on equivalently rated auction securities with a comparable length of auction period; and

(c) The succeeding Auction Period shall begin on the calendar day following the Scheduled Auction Date.

SETTLEMENT PROCEDURES

Unless defined herein, capitalized terms used herein shall have the respective meanings specified in Appendix IV of this Official Statement.

(a) Not later than 3:00 p.m. on each Auction Date, the Auction Agent is required to notify by telephone the Broker-Dealers that participated in the Auction held on such Auction Date and submitted an Order on behalf of any Existing Holder or Potential Holder of:

- (i) the Auction Rate or other Rate fixed as the Auction Bond Interest Rate for the next Auction Period;
- (ii) whether there were Sufficient Clearing Bids in such Auction;
- (iii) if such Broker-Dealer (a "*Seller's Broker-Dealer*") submitted a Bid or a Sell Order on behalf of an Existing Holder, whether such Bid or Sell Order was accepted or rejected, in whole or in part, and the principal amount of RAMS, if any, to be sold by such Existing Holder;
- (iv) if such Broker-Dealer (a "*Buyer's Broker-Dealer*") submitted a Bid on behalf of a Potential Holder, whether such Bid was accepted or rejected, in whole or in part, and the principal amount of RAMS, if any, to be purchased by such Potential Holder;
- (v) if the aggregate principal amount of RAMS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted Bids or Sell Orders if different from the aggregate principal amount of RAMS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid, the name or names of one or more other Buyer's Broker-Dealers (and the Participant, if any, of each such other Buyer's Broker-Dealer) acting for one or more purchasers of such excess principal amount of RAMS and the principal amount of RAMS to be purchased from one or more Existing Holders on whose behalf such Broker-Dealers acted by one or more Potential Holders on whose behalf each of such other Buyer's Broker-Dealers acted;
- (vi) if the principal amount of RAMS to be purchased by all Potential Holders on whose behalf such Broker-Dealer submitted a Bid exceeds the amount of RAMS to be sold by all Existing Holders on whose behalf such Broker-Dealer submitted a Bid or a Sell Order, the name or names of one or more Seller's Broker-Dealers (and the name of the Participant, if any, of each such Seller's Broker-Dealer) acting for one or more sellers of such excess principal amount of RAMS and the principal amount of RAMS to be sold to one or more Potential Holders on whose behalf such Broker-Dealer acted by one or more Existing Holders on whose behalf of each of such Seller's Broker-Dealers acted;
- (vii) unless previously provided, a list of all Auction Bond Interest Rates and related Auction Periods (or portions thereof) since the last Interest Payment Date; and
- (viii) the Auction Date for the next succeeding Auction.

(b) On each Auction Date, each Broker-Dealer that submitted an Order on behalf of any Existing Holder or Potential Holder shall:

- (i) advise each Existing Holder and Potential Holder on whose behalf such Broker-Dealer submitted a Bid or Sell Order in the Auction on such Auction Date whether such Bid or Sell Order was accepted or rejected, in whole or in part;
- (ii) instruct each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, to instruct such Bidder's Participant to pay to such Broker-Dealer (or its Participant) through the Securities Depository the amount necessary, including accrued interest, if any, to

purchase the principal amount of RAMS to be purchased pursuant to such Bid against receipt of such principal amount of RAMS;

(iii) in the case of a Broker-Dealer that is a Seller's Broker-Dealer, instruct each Existing Holder on whose behalf such Broker-Dealer submitted a Sell Order that was accepted, in whole or in part, or a Bid that was accepted, in whole or in part, to instruct such Existing Holder's Participant to deliver to such Broker-Dealer (or its Participant) through the Securities Depository the principal amount of RAMS to be sold pursuant to such Bid or Sell Order against payment therefor;

(iv) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order and each Potential Holder on whose behalf such Broker-Dealer submitted a Bid of the Auction Bond Interest Rate for the next Auction Period;

(v) advise each Existing Holder on whose behalf such Broker-Dealer submitted an Order of the next Auction Date; and

(vi) advise each Potential Holder on whose behalf such Broker-Dealer submitted a Bid that was accepted, in whole or in part, of the next Auction Date.

(c) On the basis of the information provided to it pursuant to paragraph (a) above, each Broker-Dealer that submitted a Bid or Sell Order in an Auction is required to allocate any funds received by it pursuant to paragraph (b)(ii) above, and any RAMS received by it pursuant paragraph (b)(iii) above, among the Potential Holders, if any, on whose behalf such Broker-Dealer submitted Bids, the Existing Holders, if any, on whose behalf such Broker-Dealer submitted Bids or Sell Orders in such Auction, and any Broker-Dealers identified to it by the Auction Agent following such Auction pursuant to paragraph (a)(v) or (a)(vi) above.

(d) On each Auction Date:

(i) each Potential Holder and Existing Holder with an Order in the Auction on such Auction Date shall instruct its Participant as provided in (b)(ii) or (b)(iii) above, as the case may be;

(ii) each Seller's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to the Participant of the Existing Holder delivering RAMS to such Broker-Dealer following such Auction pursuant to (b)(iii) above the amount necessary, including accrued interest, if any, to purchase such RAMS against receipt of such RAMS, and (B) deliver such RAMS through the Securities Depository to a Buyer's Broker-Dealer (or its Participant) identified to such Seller's Broker-Dealer pursuant to (a)(v) above against payment therefor; and

(iii) each Buyer's Broker-Dealer that is not a Participant in the Securities Depository shall instruct its Participant to (A) pay through the Securities Depository to a Seller's Broker-Dealer (or its Participant) identified following such Auction pursuant to (a)(vi) above the amount necessary, including accrued interest, if any, to purchase the RAMS to be purchased pursuant to (b)(ii) above against receipt of such RAMS, and (B) deliver such RAMS through the Securities Depository to the Participant of the purchaser thereof against payment therefor.

(e) On the first Business Day of the Auction Period next succeeding each Auction Date:

(i) each Participant for a Bidder in the Auction on such Auction Date referred to in (d)(i) above shall instruct the Securities Depository to execute the transactions described under (b)(ii) or (b)(iii) above for such Auction, and the Securities Depository shall execute such transactions;

(ii) each Seller's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in (d)(ii) above for such Auction, and the Securities Depository shall execute such transactions; and

(iii) each Buyer's Broker-Dealer or its Participant shall instruct the Securities Depository to execute the transactions described in (d)(iii) above for such Auction, and the Securities Depository shall execute such transactions.

(f) If an Existing Holder selling RAMS in an Auction fails to deliver such RAMS (by authorized book-entry), a Broker-Dealer may deliver to the Potential Holder on behalf of which it submitted a Bid that was accepted a principal amount of RAMS that is less than the principal amount of RAMS that otherwise was to be purchased by such Potential Holder. In such event, the principal amount of RAMS to be so delivered shall be determined solely by such Broker-Dealer. Delivery of such lesser principal amount of RAMS shall constitute good delivery. Notwithstanding the foregoing terms of this paragraph (f), any delivery or non-delivery of RAMS which shall represent any departure from the results of an Auction, as determined by the Auction Agent, shall be of no effect unless and until the Auction Agent shall have been notified of such delivery or non-delivery in accordance with the provisions of the Auction Agent and the Broker-Dealer Agreement.

**Wohlforth | Johnson | Brecht
Cartledge | Brooking**

A PROFESSIONAL CORPORATION

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May __, 2006

Members of the Board of Directors of
the Alaska Student Loan Corporation
Juneau, Alaska 99811

Dear Members:

We have examined the Constitution and laws of the State of Alaska and a record of proceedings relating to the issuance of \$30,000,000 aggregate principal amount of Education Loan Revenue Bonds, Senior Series 2006A-1 (the "2006A-1 Bonds") and \$55,000,000 aggregate principal amount of Education Loan Revenue Bonds, Senior Series 2006A-2 (the "2006A-2 Bonds" and, together with the 2006A-1 Bonds, the "Bonds") of the Alaska Student Loan Corporation (the "Corporation"), a public corporation and government instrumentality of the State of Alaska created by and existing under Alaska Statutes 14.42.100-14.42.990, as amended (the "Act").

The Bonds are dated the date hereof. The 2006A-1 Bonds will mature on June 1, 2040. The 2006A-2 Bonds will mature as set forth in the table below:

<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Due June 1</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2009	\$3,000,000	5.00%	2014	\$6,000,000	5.00%
2010	3,500,000	5.00	2015	6,500,000	5.00
2011	5,500,000	5.00	2016	6,500,000	5.00
2012	5,500,000	5.00	2017	6,500,000	5.00
2013	5,500,000	5.00	2018	6,500,000	5.00

The Bonds are being issued in fully registered form only. Interest on the Bonds is payable on December 1, 2006, and semiannually thereafter on June 1 and December 1 in each year. The Bonds are subject to redemption prior to their scheduled maturity as provided in the Indenture (as hereinafter defined).

In connection with the issuance of the Bonds, we have reviewed the Indenture; the tax certificate of the Corporation dated the date hereof (the "Tax Certificate"); certificates of the Corporation, the Trustee and others; and such other documents, opinions and matters as we deemed necessary to render the opinions set forth herein.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions or events are taken or do occur. We disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) by any parties other than the Corporation and the due and legal execution and delivery thereof by any parties other than the Corporation. We have not undertaken to verify independently, and have assumed, accuracy of the factual matters represented, warranted or certified in the documents referred to in the preceding paragraph. Furthermore, we have assumed compliance with the covenants and agreements contained in the Indenture and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Bonds, the Indenture (as hereinafter defined) and the Tax Certificate may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents. Finally, we express no opinion as to the Official Statement or other offering material relating to the Bonds.

The Bonds are authorized and issued pursuant to the Act and a resolution of the Corporation adopted on April 18, 2006, (the "Resolution") and are issued pursuant to an indenture between the Corporation and U.S. Bank National Association, as successor trustee, (the "Trustee") dated as of June 1, 2002 (the "Master Indenture") and a supplemental indenture by and between the Corporation and the Trustee, dated as of May 1, 2006 (the "Supplemental Indenture" and, together with the Master Indenture, the "Indenture").

Based on the foregoing, we are of the opinion that:

1. Under the Constitution and laws of the State, the Corporation has been duly created and organized and validly exists as a public corporation and government instrumentality in good standing under the laws of the State of Alaska, performing an essential public function with full corporate power and authority, among other things, to carry out the student loan program to be financed in part by

Members of the Board of Directors
Alaska Student Loan Corporation

Re: Education Loan Revenue Bonds, Senior 2006 Series A-1 and Senior 2006 Series A-2

May __, 2006

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the issuance of the Bonds, to provide funds therefor by the execution of the Indenture and the issuance and sale of the Bonds, and to perform its obligations under the terms and conditions of the Indenture.

2. The Indenture has been duly authorized, executed, and delivered and constitutes a legal, valid, and binding instrument enforceable against the Corporation in accordance with its terms.

3. The Bonds are legal, valid, and binding special, limited obligations of the Corporation for the payment of which, in accordance with their terms, the Trust Estate (as defined in the Indenture) has been legally and validly pledged, and the Bonds are entitled to the equal benefit, protection, and security of the provisions, covenants, and agreements of the Indenture on a parity with other bonds of the same Class (as such term is defined in the Indenture) issued and to be issued under the Indenture, to the extent provided therein.

4. Interest on the Bonds is excluded from gross income of the owners thereof for federal income tax purposes pursuant to Section 103 of the Code under existing statutes and court decisions. It should be noted, however, that such interest is a specific preference item for purposes of the federal alternative minimum taxes imposed on individuals and corporations by the Code. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Corporation comply with certain arbitrage and rebate requirements set forth in Section 148 of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Corporation has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Bonds in gross income for federal income tax purposes to be retroactive to the date of issuance of the Bonds. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

5. Interest on the Bonds is exempt from taxation by or under the authority of the State, except for inheritance and estate taxes and taxes on transfers by or in contemplation of death.

Sincerely,

WOHLFORTH, JOHNSON, BRECHT,
CARTLEDGE & BROOKING

Cynthia L. Cartledge

THE DEPOSITORY TRUST COMPANY**SAMPLE OFFERING DOCUMENT LANGUAGE
DESCRIBING BOOK-ENTRY-ONLY ISSUANCE**

(Prepared by DTC - bracketed material may be applicable only to certain issues)

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for [each issue of] the Securities, [each] in the aggregate principal amount of [any] issue and will be deposited with DTC. [If, however, the aggregate principal amount of [any] issue exceeds \$500 million, one certificate will be issued with respect to each \$500 million of principal amount, and an additional certificate will be issued with respect to any remaining principal amount of such issue.]

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct or Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. [Beneficial Owners of Securities may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the Security documents.

For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.]

[6. Redemption notices shall be sent to DTC. If less than all of the Securities within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.]

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co. or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from Issuer or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC [nor its nominee], Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners shall be the responsibility of Direct and Indirect Participants.

[9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such Securities by causing the Direct Participant to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.]

10. DTC may discontinue providing its services as depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor depository is not obtained, Security certificates are required to be printed and delivered.

11. The Issuer may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered.

12. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.